



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2015**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

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GENERAL INFORMATION

Members of the Council:

JZ Lolwana	Mayor
MT Kibi	Speaker
UR Itumeleng	Member
GL Nkumbi	Member
TA Sintu	Member
NS Thomas	Member
KJ Arens	Member
ME Bitterbos	Member
WJ du Plessis	Member
A Fritz	Member
JH George	Member
J Grobbelaar	Member
DP Jason	Member
P Louw	Member
EL Schultz	Member
PN Signeur	Member
LC van Niekerk	Member
FM van Wyk	Member

Municipal Manager: RE Pieterse

Chief Financial Officer: BF James

Grading of Local Authority: Grade 3

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: Culvert Road
De Aar
7000

Physical address: Culvert Road
De Aar
7000

Postal address: Private Bag X1012
De Aar
7000

Telephone number: (053) 632 0891

Fax number: (053) 631 2529

**PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 72, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: RE Pieterse

31 August 2015

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Pixley-ka-Seme District Municipality at 30 June 2015.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2014/2015 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates a decrease in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Payables as well as Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

INDICATOR	2015	2014
Surplus / (Deficit) before Appropriations	(3 904 477)	(2 039 219)
Surplus / (Deficit) at the end of the Year	(10 241 848)	(6 337 372)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	55.97%	48.58%
Remuneration of Councillors	7.76%	6.57%
Depreciation and Amortisation	4.93%	4.19%
Impairment Losses	1.90%	0.92%
Repairs and Maintenance	0.66%	0.79%
Interest Paid	2.74%	2.53%
Contracted Services	0.12%	0.35%
Grants and Subsidies Paid	2.96%	15.04%
General Expenses	21.16%	21.00%
Loss on Disposal of Property, Plant and Equipment	0.00%	0.04%
Current Ratio:		
Trade Creditors Days	10	37
Debtors from Exchange Transactions Days	63	171

The extremely good ratio for Debtors Days, calculated on net Debtors, is because of bad debts in the amount of R1 427 690 (2014: R460 744) provided for at year end and the substantial increase in the Provision for Impairment, which renders a favourable ratio for the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

2.2 Performance Indicators:

INDICATOR	2015	2014
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	1.63%	4.87%
Outstanding Service Debtors to Revenue	366.85%	1122.11%
Liquidity Management:		
Liquidity Ratio	0.05	0.33
Liability Management:		
Capital Cost as percentage of Own Revenue	48.56%	39.81%
Borrowed Funding as percentage of Own Capital Expenditure	58.04%	0.00%
Borrowing as percentage of Total Capital Assets	16.48%	13.81%
Safety of Capital:		
Gearing	(23.57)%	(34.29)%
Financial Viability:		
Debt Coverage	3.69	3.20
Cost Coverage	0.01	0.07
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	1252.34%	227.99%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Pixley-ka-Seme District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2015 R	Actual 2014 R	Percentage Variance %	Budgeted 2015 R	Variance Actual/ Budgeted %
Income:					
Opening surplus / (deficit)	(6 337 372)	(4 945 411)	28.15%	(1 435 806)	341.38%
Operating income for the year	41 731 917	48 725 900	(14.35)%	41 616 000	0.28%
Appropriation for the year	38 055	21 170			
	35 432 600	43 801 659		40 180 194	
Expenditure:					
Operating expenditure for the year	45 636 393	50 765 120	(10.10)%	49 556 000	(7.91)%
Closing surplus / (deficit)	(10 241 848)	(6 337 372)	61.61%	(10 241 848)	0.00%
	35 394 545	44 427 748		39 314 152	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

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PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

3.1 General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Sundry Fees levied.

DETAILS	Actual 2015 R	Actual 2014 R	Percentage Variance %	Budgeted 2015 R	Variance Actual/ Budgeted %
Income	35 594 770	43 254 834	(17.71)%	35 872 000	(0.77)%
Expenditure	(39 882 154)	(46 367 089)	(13.99)%	(44 704 000)	(10.79)%
Surplus / (Deficit)	(4 287 384)	(3 112 255)		(8 832 000)	
Surplus / (Deficit) as % of total income	(12.04)%	(7.20)%		(24.62)%	

Variance from 2014 actual:

During the 2015 financial year, the Municipality incurred less Grant-related Expenditure resulting in the decrease in Expenditure as well as a decrease in the funds that can be recognised as Grants and Subsidies Received (Revenue). This is due to a number of projects that were completed during the year, which were carried forward from the 2014 financial year.

Variance from 2015 budget:

No material variances were identified between the 2015 Actual Figures and the Budgeted Figures.

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the Municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2015 R	Actual 2014 R	Percentage Variance %	Budgeted 2015 R	Variance Actual/ Budgeted %
Income	1 030 000	1 000 000	3.00%	1 030 000	0.00%
Expenditure	(2 987 086)	(2 414 108)	23.73%	(3 124 000)	(4.38)%
Surplus / (Deficit)	(1 957 086)	(1 414 108)		(2 094 000)	
Surplus / (Deficit) as % of total income	(190.01)%	(141.41)%		(203.30)%	

Variance from 2014 actual:

The increase in the 2015 Expenditure is attributed to R648 067 incurred on a Housing Implementation Plan, which did not occur in the previous financial year.

Variance from 2015 budget:

No material variances were identified between the 2015 Actual Figures and the Budgeted Figures.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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3.3 Shared Services:

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2015 R	Actual 2014 R	Percentage Variance %	Budgeted 2015 R	Variance Actual/ Budgeted %
Income	4 714 000	4 490 000	4.99%	4 714 000	0.00%
Expenditure	(1 701 982)	(1 211 191)	40.52%	(1 728 000)	(1.51)%
Surplus / (Deficit)	3 012 018	3 278 809		2 986 000	
Surplus / (Deficit) as % of total income	63.90%	73.02%		63.34%	

Variance from 2014 actual:

The increase in the 2015 Expenditure is due to new appointment made and the subsequent increase in the Employee Related Costs.

Variance from 2015 budget:

No material variances were identified between the 2015 Actual Figures and the Budgeted Figures.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R2 603 517 (2014: R1 345 371). Full details of Assets are disclosed in Notes 6, 7, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements."

The capital expenditure of R2 603 517 was financed as follows:"

DETAILS	Actual 2015 R	Actual 2014 R	Percentage Variance %	Budgeted 2015 R	Variance Actual/ Budgeted %
External Loans	1 511 000	359 649	320.13%	-	100.00%
Grants and Subsidies	-	790 842	(100.00)%	-	0.00%
Own Funds (Accumulated Surplus)	1 092 517	194 880	460.61%	875 000	24.86%
	2 603 517	1 345 371		875 000	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2015	2014
Capital Replacement Reserve	-	-
External Loans	58.04%	26.73%
Grants and Subsidies	-	58.78%
Own Funds (Accumulated Surplus)	41.96%	14.49%
	100.00%	100.00%

Capital Assets are funded to a great extent from External Loans as the Municipality does not have the financial resources to finance certain required capital expenditure from its own funds.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(7 942 000)	(316 069)
Revenue variances	116 917	(856 207)
Expenditure variances:		
Employee Related Costs	309 607	(529 595)
Remuneration of Councillors	88	1
Depreciation and Amortisation	521	(1 581 216)
Impairment Losses	521 454	1 661 759
Repairs and Maintenance	131 384	(393 348)
Finance Costs	250 555	(882 285)
Contracted Services	1 068 070	490 970
Grants and Subsidies Paid	(812 797)	10 814
General Expenses	2 771 340	375 173
Loss on Disposal of Property, Plant and Equipment	(319 615)	(19 217)
Actual surplus before appropriations	(3 904 477)	(2 039 219)

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(7 942 000)	(316 069)
Administration	184 682	67 714
Finance	3 165 995	(860 800)
Development and Infrastructure	46 942	(3 118)
Environmental Health	117 952	7 333
Housing	136 914	13 892
Internal Audit	69 646	15 210
Council Expenses	184 255	(192 880)
Municipal Manager	89 021	4 501
I D P	885 244	8 400
Protection Services	(199 123)	4 385
Shared Services	26 018	2 809
Actual surplus before appropriations	(3 234 452)	(1 248 623)
	670 025	790 596

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

5.2 Capital Budget:

DETAILS	Actual 2015 R	Actual 2014 R	Percentage Variance %	Budgeted 2015 R	Variance Actual/ Budgeted %
Finance and Administration	2 603 517	1 345 371	1 258 146	875 000	1 728 517
	2 603 517	1 345 371	1 258 146	875 000	1 728 517

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to (R9 375 806) (2014: R (6 171 792)) and is made up as follows:

Capital Replacement Reserve	41 708
Accumulated Surplus	(10 283 556)
	(10 241 848)

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R2 907 324 (2014: R2 223 468).

Loans to the amount of R1 511 000 (2014: R359 649) was taken up during the financial year to enable the Municipality to finance part of its capital requirements for the year.

Refer to Note 12 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R13 670 447 as at 30 June 2015 (2014: R14 557 415) and is made up as follows:

Ex-Gratia Benefit Liability	78 330
Post-retirement Health Care Benefits Liability	13 592 117
	13 670 447

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 13 for more detail.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

9. CURRENT LIABILITIES

Current Liabilities amounted R8 646 257 as at 30 June 2015 (2014: R9 890 836) and is made up as follows:

Provisions	Note 9	1 086 384
Payables from Exchange Transactions	Note 10	6 572 320
Unspent Conditional Grants and Receipts	Note 11	925 118
Current Portion of Long-term Liabilities	Note 12	1 123 470
		9 707 293

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R12 659 535 as at 30 June 2015 (2014: R13 041 236).

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R37 374 as at 30 June 2015 (2014: R60 273).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R1 953 700 as at 30 June 2015 (2014: R2 636 700).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R1 197 612 as at 30 June 2015 (2014: R4 781 719) and is made up as follows:

Receivables from Exchange Transactions	Note 2	605 089
VAT Receivable	Note 3	(231 925)
Cash and Cash Equivalents	Note 4	524 802
Operating Lease Assets	Note 5	-
		897 966

Refer to the indicated Notes for more detail.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

14. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programmed. Operating grants are utilized to finance the operations of the Municipality.

Refer to Notes 11 and 15, and Appendix "F" for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2015

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	2015 R	2014 Restated R
ASSETS			
Current Assets		897 966	5 413 123
Receivables from Exchange Transactions	2	605 089	1 764 492
VAT Receivable	3	(231 925)	64 057
Cash and Cash Equivalents	4	524 802	3 583 875
Current Portion of Operating Lease Receivables	5	-	699
Non-Current Assets		14 651 859	15 738 209
Property, Plant and Equipment	6	12 660 785	13 041 236
Intangible Assets	7	37 374	60 273
Investment Property	8	1 953 700	2 636 700
Operating Lease Receivables	5	-	-
Total Assets		15 549 825	21 151 331
LIABILITIES			
Current Liabilities		9 707 293	10 738 519
Provisions	9	1 086 384	1 114 524
Payables from Exchange Transactions	10	6 572 320	8 170 835
Unspent Conditional Grants and Receipts	11	925 118	831 302
Current Portion of Long-term Liabilities	12	1 123 470	621 858
Non-Current Liabilities		16 084 380	16 750 184
Long-term Liabilities	12	2 413 933	2 172 769
Employee Benefit Liabilities	13	13 670 447	14 577 415
Total Liabilities		25 791 674	27 488 703
Total Assets and Liabilities		(10 241 848)	(6 337 371)
NET ASSETS		(10 241 848)	(6 337 372)
Accumulated Surplus / (Deficit)	14	(10 241 848)	(6 337 372)
Total Net Assets		(10 241 848)	(6 337 372)



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 R	2014 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	15	37 578 894	42 935 351
Public Contributions and Donations	16	5 700	50 000
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	17	164 944	157 247
Interest Earned - External Investments	18	355 979	764 055
Other Revenue	19	3 626 399	4 819 247
Profit on Disposal of Property, Plant and Equipment	30	-	-
Total Revenue		41 731 917	48 725 900
EXPENDITURE			
Employee Related Costs	20	25 544 393	24 664 021
Remuneration of Councillors	21	3 542 912	3 335 616
Depreciation and Amortisation	22	2 248 479	2 128 379
Impairment Losses	23	868 546	466 621
Repairs and Maintenance	25	300 616	399 226
Finance Costs	26	1 248 445	1 282 866
Contracted Services	27	56 930	175 161
Grants and Subsidies Paid	28	1 352 797	7 635 186
General Expenses	29	9 658 660	10 658 827
Loss on Disposal of Property, Plant and Equipment	30	814 615	19 217
Total Expenditure		45 636 393	50 765 120
SURPLUS / (DEFICIT) FOR THE YEAR		(3 904 477)	(2 039 219)
Refer to Budget Statement for explanation of budget variances			



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2014		
Balance at 1 July 2013	(4 945 411)	(4 945 411)
Correction of Error (Note 32)	647 259	647 259
Restated Balance	(4 298 152)	(4 298 152)
Surplus / (Deficit) for the year	(2 039 219)	(2 039 219)
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2014	(6 337 372)	(6 337 372)
2015		
Restated Balance at 1 July 2014	(6 337 372)	(6 337 372)
Surplus / (Deficit) for the year	(3 904 477)	(3 904 477)
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2015	(10 241 848)	(10 241 848)

Details on the movement of the Funds and Reserves are set out in Note 14.



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015 R	2014 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grant and Subsidies		37 672 711	41 282 915
Public Contributions and Donations		4 300	50 000
Interest Received		355 979	787 093
Other Receipts		4 378 880	3 662 211
Payments			
Employee Related Costs		(26 366 990)	(24 592 263)
Remuneration of Councillors		(3 542 912)	(3 335 616)
Interest Paid		(1 248 445)	(1 282 866)
Suppliers Paid		(13 080 029)	(26 463 366)
Other Payments		-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	<u><u>(1 826 506)</u></u>	<u><u>(9 891 892)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6	(2 603 517)	(1 345 371)
Proceeds on Disposal of Property, Plant and Equipment	30	628 173	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u><u>(1 975 344)</u></u>	<u><u>(1 345 371)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	12	1 511 000	359 649
Repayment of Borrowings	12	(768 223)	(1 022 291)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u><u>742 777</u></u>	<u><u>(662 641)</u></u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u><u>(3 059 073)</u></u>	<u><u>(11 899 904)</u></u>
Cash and Cash Equivalents at Beginning of Period	4	<u>3 583 875</u>	<u>15 483 779</u>
Cash and Cash Equivalents at End of Period	4	<u>524 802</u>	<u>3 583 875</u>



PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	537 000	(537 000)	-	-	-	-	605 089	-	605 089	100.00%	12.68%
VAT Receivable	-	-	-	-	-	-	(231 925)	-	(231 925)	100.00%	100.00%
Cash and Cash Equivalents	8 528 000	2 882 000	11 410 000	-	-	11 410 000	524 802	-	(10 885 198)	(95.40)%	(93.85)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Non-Current Assets											
Property, Plant and Equipment	12 193 000	355 000	12 548 000	-	-	12 548 000	12 660 785	-	112 785	0.90%	3.84%
Intangible Assets	48 000	-	48 000	-	-	48 000	37 374	-	(10 626)	(22.14)%	(22.14)%
Investment Property	-	-	-	-	-	-	1 953 700	-	1 953 700	100.00%	100.00%
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Total Assets	21 306 000	2 700 000	24 006 000	-	-	24 006 000	15 549 825	-	(8 456 175)		
Current Liabilities											
Provisions	1 223 000	-	1 223 000	-	-	1 223 000	1 086 384	-	(136 616)	(11.17)%	(11.17)%
Payables from Exchange Transactions	3 869 000	(1 000 000)	2 869 000	-	-	2 869 000	6 572 320	-	3 703 320	129.08%	69.87%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	925 118	-	925 118	100.00%	100.00%
Current Portion of Long-term Liabilities	629 000	-	629 000	-	-	629 000	1 123 470	-	494 470	78.61%	78.61%
Non-Current Liabilities											
Long-term Liabilities	1 266 000	-	1 266 000	-	-	1 266 000	2 413 933	-	1 147 933	90.67%	90.67%
Retirement Benefit Liabilities	16 292 000	-	16 292 000	-	-	16 292 000	13 670 447	-	(2 621 553)	(16.09)%	(16.09)%
Total Liabilities	23 279 000	(1 000 000)	22 279 000	-	-	22 279 000	25 791 674	-	3 512 674		
Total Assets and Liabilities	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(10 241 848)	-	(11 968 848)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(10 241 848)	-	(11 968 848)	(693.04)%	419.10%
Total Net Assets	(1 973 000)	3 700 000	1 727 000	-	-	1 727 000	(10 241 848)	-	(11 968 848)		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
The Municipality budgeted for all Receivables to be recovered during the year. This actual outcome did not support management's plans as certain debtors were only invoices at yearend and other cannot meet their responsibilities financially.											
VAT Receivable:											
At yearend, the Municipality had not received all VAT Refunds owed to them by SARS. These refunds are expected to realise during the 2016 financial year.											
Cash and Cash Equivalents:											
The significant decrease in the Cash and Cash Equivalents is due to the decrease in the Grant and Subsidies received during the year, as well as the finalisation of a number of projects.											
Intangible Assets:											
The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were purchased during the year.											
Investment Property:											
The Municipality has not budgeted for the Investment Property balance, resulting in the material difference.											
Provisions:											
The Budgeted figure did not take into account any payments made during the year, resulting in the difference.											
Payables from Exchange Transactions:											
The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid in full as budgeted for.											
Unspent Conditional Grants and Receipts:											
Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds not being recognised as revenue.											
Long-term Liabilities:											
The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Retirement Benefit Liabilities:											
The Budgeted figure did not take into account any payments made during the year, resulting in the difference.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	35 816 000	700 000	36 516 000	-	-	36 516 000	37 578 894	-	1 062 894	2.91%	4.92%
Public Contributions and Donations	-	-	-	-	-	-	5 700	-	5 700	100.00%	100.00%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	-	24 000	24 000	-	-	24 000	164 944	-	140 944	587.27%	100.00%
Interest Earned - External Investments	155 000	25 000	180 000	-	-	180 000	355 979	-	175 979	97.77%	129.66%
Other Income	3 855 000	1 040 000	4 895 000	-	-	4 895 000	3 626 399	-	(1 268 601)	(25.92)%	(5.93)%
Total Revenue	39 826 000	1 789 000	41 615 000	-	-	41 615 000	41 731 917	-	116 917		
Expenditure											
Employee Related Costs	25 754 000	100 000	25 854 000	-	-	25 854 000	25 544 393	-	(309 607)	(1.20)%	(0.81)%
Remuneration of Councillors	3 567 000	(24 000)	3 543 000	-	-	3 543 000	3 542 912	-	(88)	(0.00)%	(0.68)%
Depreciation and Amortisation	2 120 000	129 000	2 249 000	-	-	2 249 000	2 248 479	-	(521)	(0.02)%	6.06%
Impairment Losses	1 010 000	380 000	1 390 000	-	-	1 390 000	868 546	-	(521 454)	(37.51)%	(14.01)%
Repairs and Maintenance	346 000	86 000	432 000	-	-	432 000	300 616	-	(131 384)	(30.41)%	(13.12)%
Finance Costs	1 483 000	16 000	1 499 000	-	-	1 499 000	1 248 445	-	(250 555)	(16.71)%	(15.82)%
Contracted Services	1 225 000	(100 000)	1 125 000	-	-	1 125 000	56 930	-	(1 068 070)	(94.94)%	(95.35)%
Grants and Subsidies Paid	230 000	310 000	540 000	-	-	540 000	1 352 797	-	812 797	150.52%	488.17%
General Expenses	9 563 000	2 867 000	12 430 000	-	-	12 430 000	9 658 660	-	(2 771 340)	(22.30)%	1.00%
Loss on Disposal of Property, Plant and Equipment	-	495 000	495 000	-	-	495 000	814 615	-	319 615	64.57%	100.00%
Total Expenditure	45 298 000	4 259 000	49 557 000	-	-	49 557 000	45 636 393	-	(3 920 607)		
Surplus/(Deficit)	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(3 904 477)	-	4 037 523	(50.84)%	(28.65)%
Surplus/(Deficit for the Year)	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(3 904 477)	-	4 037 523		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Public Contributions and Donations											
The Municipality receive Dontaions amounting to R4 300. These were not budgeted for as these were unplanned sponsorships.											
Rental of Facilities and Equipment:											
A number of lease contracts were not valid and the Municipality did not budget to generate any revenue from these. However, the leasees still occupied the buidlings and they were charged rental income on a month-to-month basis.											
Interest Earned - External Investments:											
Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Other Income:											
No specific reason exists for the unbudgeted decrease.											
Impairment Losses:											
The variance is attributed to a number of Shared Service Debtors that cannot meet their financial responsibilities and were subsequently provided for as potential bad debt.											
Repairs and Maintenance:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Repairs and Maintenance.											
Finance Costs:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Finance Costs.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The increase in the 2015 Expenditure is attributed to R648 067 incurred on a Housing Implementation Plan, which did not occur in the previous financial year.											
General Expenses :											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on General Expenses.											
Loss on Disposal of Property, Plant and Equipment:											
The Municipality sold a number of items during the year and was unfortunately not able to generate the budgeted proceeds from these sales.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517	197.54%	615.25%
Total Capital Expenditure	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517		
<i>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</i>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration: The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											

2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	36 736 000	1 055 000	37 791 000	-	-	37 791 000	37 672 711	-	(118 289)	(0.31)%	2.55%
Interest Received	155 000	25 000	180 000	-	-	180 000	355 979	-	175 979	97.77%	129.66%
Other Receipts	3 985 000	(249 000)	3 736 000	-	-	3 736 000	4 378 880	-	642 880	17.21%	9.88%
Employee Related Costs	(40 456 000)	(160 000)	(40 616 000)	-	-	(40 616 000)	(26 366 990)	-	14 249 010	(35.08)%	(34.83)%
Remuneration of Councillors	-	-	-	-	-	-	(3 542 912)	-	(3 542 912)	100.00%	100.00%
Interest Paid	(218 000)	(234 000)	(452 000)	-	-	(452 000)	(1 248 445)	-	(796 445)	176.20%	472.68%
Suppliers Paid	-	-	-	-	-	-	(13 080 029)	-	(13 080 029)	100.00%	100.00%
Other Payments	(230 000)	(310 000)	(540 000)	-	-	(540 000)	-	-	540 000	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(364 000)	(511 000)	(875 000)	-	-	(875 000)	(2 603 517)	-	(1 728 517)	197.54%	615.25%
Proceeds on Disposal of Property, Plant and Equipment	3 000 000	(2 200 000)	800 000	-	-	800 000	628 173	-	(171 827)	(21.48)%	(79.06)%
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	1 511 000	-	1 511 000	100.00%	100.00%
Loans repaid	(570 000)	-	(570 000)	-	-	(570 000)	(768 223)	-	(198 223)	34.78%	34.78%
Cash and Cash Equivalents at End of the Year	2 038 000	(2 584 000)	(546 000)	-	-	(546 000)	(3 063 373)	-	(2 517 373)		
<i>Cash Flow: Explanation of Variances between Approved Budget and Actual</i>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Interest Received Although the Municipality had significant decrease in their Cash and Cash Equivalents, the funds were invested in Term and Call Deposits, which generated more income than budgeted for.											
Remuneration of Councillors This was included in the Employee Related Costs.											
Interest Paid The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for. This resulted in the material variance between the budgeted and actual finance cost paid.											
Suppliers Paid This was included in the Other Costs.											
Purchase of Property, Plant and Equipment: The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Proceeds on Disposal of Property, Plant and Equipment: The Municipality sold a number of items during the year and was unfortunately not able to generate the budgeted proceeds from these sales.											
New Loans raised: The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases, which were not budgeted for.											
Loans repaid: Due to the aforementioned finance leases incurred, the actual repayments for the year exceed the budgeted figure.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	-	1 379 000	1 379 000	-	-	1 379 000	1 764 492	-	385 492	27.95%	100.00%
VAT Receivable	-	-	-	-	-	-	64 057	-	64 057	100.00%	100.00%
Cash and Cash Equivalents	9 690 000	(6 406 000)	3 284 000	-	-	3 284 000	3 583 875	-	299 875	9.13%	(63.01)%
Current Portion of Operating Lease Receivables	-	10 000	10 000	-	-	10 000	699	-	(9 301)	(93.01)%	100.00%
Non-Current Assets											
Property, Plant and Equipment	15 633 000	(2 291 000)	13 342 000	-	-	13 342 000	13 041 236	-	(300 764)	(2.25)%	(16.58)%
Intangible Assets	-	60 000	60 000	-	-	60 000	60 273	-	273	0.45%	100.00%
Investment Property	-	1 841 000	1 841 000	-	-	1 841 000	2 636 700	-	795 700	43.22%	100.00%
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	-	-
Total Assets	25 323 000	(5 407 000)	19 916 000	-	-	19 916 000	21 151 331	-	1 235 331		
Current Liabilities											
Provisions	-	1 115 000	1 115 000	-	-	1 115 000	1 114 524	-	(476)	(0.04)%	100.00%
Payables from Exchange Transactions	-	8 597 000	8 597 000	-	-	8 597 000	8 170 835	-	(426 165)	(4.96)%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	831 302	-	831 302	100.00%	100.00%
Current Portion of Long-term Liabilities	570 000	4 723 000	5 293 000	-	-	5 293 000	621 858	-	(4 671 142)	(88.25)%	9.10%
Non-Current Liabilities											
Long-term Liabilities	2 313 000	140 000	2 453 000	-	-	2 453 000	2 172 769	-	(280 231)	(11.42)%	(6.06)%
Retirement Benefit Liabilities	-	14 577 000	14 577 000	-	-	14 577 000	14 577 415	-	415	0.00%	100.00%
Total Liabilities	2 883 000	29 152 000	32 035 000	-	-	32 035 000	27 488 703	-	(4 546 297)		
Total Assets and Liabilities	22 440 000	(34 559 000)	(12 119 000)	-	-	(12 119 000)	(6 337 371)	-	5 781 629		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	22 440 000	(34 559 000)	(12 119 000)	-	-	(12 119 000)	(6 337 372)	-	5 781 628	(47.71)%	(128.24)%
Total Net Assets	22 440 000	(34 559 000)	(12 119 000)	-	-	(12 119 000)	(6 337 372)	-	5 781 628		
							0		0		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
In the current year a provision of R450 000 was made for share services invoiced to local municipalities within the district and R10 744 in respect to an overpayment made to an ex-employee. This resulted in the fluctuation against the adjusted budgeted figure.											
VAT Receivable:											
Management did not budget for a VAT Receivable at yearend, as the expectation was that the VAT would be fully settled at yearend. At 30 June 2014 a VAT Receivable existed due to the June 2014 VAT return, which was submitted but not yet settled by the South African Revenue Services.											
Payables from Exchange Transactions:											
The fluctuation of R1 182 418 is attributable to the Ouboks and Kareeberg Housing project which was budgeted for as 'Unspent Conditional Grants', but was classified as Payables due to the nature of the agreement.											
Unspent Conditional Grants and Receipts:											
Please see the reason included in 'Payables'.											
Current Portion of Long-term Liabilities:											
The budgeted loans did not realise. This resulted in the material fluctuation when compared to the actual amount. Currently, the municipality has finance leases and one (1) annuity loan payable to DBSA.											
Accumulated Surplus / (Deficit):											
The fluctuation is the result of prior period adjustments made to the 2012/2013 figure than has impacted on the opening balance of the surplus account in the 2013/2014 financial year.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	34 165 000	8 605 810	42 770 810	-	-	42 770 810	42 935 351	-	164 541	0.38%	25.67%
Public Contributions and Donations	-	-	-	-	-	-	50 000	-	50 000	100.00%	100.00%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	158 000	5 715	163 715	-	-	163 715	157 247	-	(6 468)	(3.95)%	(0.48)%
Interest Earned - External Investments	150 000	436 196	586 196	-	-	586 196	764 055	-	177 859	30.34%	409.37%
Other Income	3 600 000	2 461 386	6 061 386	-	-	6 061 386	4 819 247	-	(1 242 139)	(20.49)%	33.87%
Total Revenue	38 073 000	11 509 107	49 582 107	-	-	49 582 107	48 725 900	-	(856 207)		
Expenditure											
Employee Related Costs	23 899 000	235 426	24 134 426	-	-	24 134 426	24 664 021	-	529 595	2.19%	3.20%
Remuneration of Councillors	3 392 280	(56 663)	3 335 617	-	-	3 335 617	3 335 616	-	(1)	(0.00)%	(1.67)%
Depreciation and Amortisation	950 000	(402 837)	547 163	-	-	547 163	2 128 379	-	1 581 216	288.98%	124.04%
Impairment Losses	1 562 000	566 380	2 128 380	-	-	2 128 380	466 621	-	(1 661 759)	(78.08)%	(70.13)%
Repairs and Maintenance	1 350 000	(1 344 122)	5 878	-	-	5 878	399 226	-	393 348	6691.87%	(70.43)%
Finance Costs	350 000	50 581	400 581	-	-	400 581	1 282 866	-	882 285	220.25%	266.53%
Contracted Services	271 853	394 278	666 131	-	-	666 131	175 161	-	(490 970)	(73.70)%	(35.57)%
Grants and Subsidies Paid	-	7 646 000	7 646 000	-	-	7 646 000	7 635 186	-	(10 814)	(0.14)%	100.00%
General Expenses	7 509 000	3 525 000	11 034 000	-	-	11 034 000	10 658 827	-	(375 173)	(3.40)%	41.95%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	19 217	-	19 217	100.00%	100.00%
Total Expenditure	39 284 133	10 614 043	49 898 176	-	-	49 898 176	50 765 120	-	866 944		
Surplus/(Deficit for the Year)	(1 211 133)	895 064	(316 069)	-	-	(316 069)	(2 039 219)	-	(1 723 150)		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Public Contributions and Donations											
R50 000 was donated by the Office of the Premier for a specific purpose / event, which took place during the financial year. Management did not budget for this revenue and therefore the fluctuation.											
Other Receipts											
The expected budgeted income for the year did not realise.											
Contracted Services											
The municipality entered into contracts with service providers. These functions were not finalised in the 2013/2014 financial year, and will continue during the 2014/2015 financial year											
Impairment Losses											
As explained in the 'Receivables from Exchange Transactions', the municipality provided for R450 000 at yearend which relates to shares services (provided to certain municipalities within the district) and R10 744 which related to overpayments made to an ex-											
Finance Cost											
In the current financial year, the municipality received a judgement against them (which was previously disclosed as a contingent liability). This liability was provided for in the current year, including the accumulated effect of the finance costs											
Loss on Disposal of Property, Plant and Equipment											
Management did not provide for any losses to be incurred during the disposal of Property, Plant and Equipment.											

2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	350 000	995 000	1 345 000	-	-	1 345 000	1 279 103	-	(65 897)	(4.90)%	(18.83)%
Total Capital Expenditure	350 000	995 000	1 345 000	-	-	1 345 000	1 279 103	-	(65 897)		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
No material fluctuation in the total actual versus budgeted spending occurred.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	34 609 000	8 605 810	43 214 810	-	-	43 214 810	-	-	(43 214 810)	-	-
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-
Interest Received	150 000	436 196	586 196	-	-	586 196	-	-	(586 196)	-	-
Other Receipts	1 920 000	2 467 101	4 387 101	-	-	4 387 101	-	-	(4 387 101)	-	-
Employee Related Costs	(32 865 627)	(16 902 292)	(49 767 919)	-	-	(49 767 919)	-	-	49 767 919	-	-
Remuneration of Councillors	-	-	-	-	-	-	-	-	-	-	-
Interest Paid	(271 853)	(394 278)	(666 131)	-	-	(666 131)	-	-	666 131	-	-
Suppliers Paid	-	(7 645 957)	(7 645 957)	-	-	(7 645 957)	-	-	7 645 957	-	-
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(350 000)	(995 380)	(1 345 380)	-	-	(1 345 380)	-	-	1 345 380	-	-
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	359 649	359 649	-	-	359 649	-	-	(359 649)	-	-
Loans repaid	(516 924)	(505 376)	(1 022 300)	-	-	(1 022 300)	-	-	1 022 300	-	-
Cash and Cash Equivalents at End of the Year	2 674 596	(14 574 527)	(11 899 931)	-	-	(11 899 931)	-	-	11 899 931	0.00	0.00
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Debt collection did not have the desired results, which resulted in the fluctuation. This is supported by the fluctuations identified in the Statement of Financial Performance and Position.											

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2015	2014
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	(3 904 477)	(2 039 219)
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	(1 062 894)	(164 541)
Public Contributions and Donations	(5 700)	(50 000)
Revenue from Exchange Transactions		
Rental of Facilities and Equipment	(140 944)	6 468
Interest Earned - External Investments	(175 979)	(177 859)
Other Revenue	1 268 601	1 242 139
Expenditure		
Employee Related Costs	(309 607)	529 595
Remuneration of Councillors	(88)	(1)
Depreciation and Amortisation	(521)	1 581 216
Impairment Losses	(521 454)	(1 661 759)
Repairs and Maintenance	(131 384)	393 348
Finance Costs	(250 555)	882 285
Contracted Services	(1 068 070)	(490 970)
Grants and Subsidies Paid	812 797	(10 814)
General Expenses	(2 771 340)	(375 173)
Loss on Disposal of Property, Plant and Equipment	319 615	19 217
Net Surplus/Deficit per Approved Budget	(7 942 000)	(316 069)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2015 and 30 June 2014, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 7.1 on Financial Assets Classification and Accounting Policy 7.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 2 to the AFS.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3, 4.2 and 5.2 the Municipality depreciates its property, plant and equipment and investment property, and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property and Intangible assets

Accounting Policy 6 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the AFS, whilst no impairments were made to intangible assets.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 13 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments To Standards And Interpretations Issued But Not Yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (Continued)

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Related Parties - GRAP 20

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus in terms of specific requirements.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years
Buildings	30 - 100
Other	
Specialist Vehicles	5 - 20
Other Vehicles	5 - 10
Office Equipment	3 - 7
Furniture and Fittings	7 - 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial information disclosed previously.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property;

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6. IMPAIRMENT OF ASSETS (Continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

6.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- (i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. FINANCIAL INSTRUMENTS (Continued)

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. FINANCIAL INSTRUMENTS (Continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. FINANCIAL INSTRUMENTS (Continued)

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. REVENUE RECOGNITION

8.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8. REVENUE RECOGNITION (Continued)

8.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8.3.1 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

8.3.2 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

9. PROVISIONS

Provisions for legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10. EMPLOYEE BENEFITS

10.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

10.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

10.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

10.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

10.4 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

11.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to **Note 31** for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to **Note 32** to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

22. COMPARATIVE INFORMATION

22.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

22.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from **1 July 2014 to 30 June 2015**.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of Financial Position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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1. GENERAL INFORMATION

Pixley-ka-Seme District Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Other Receivables	2 032 779	(1 427 690)	605 089
Property Rental Debtors	153 728	-	153 728
Shared Services	1 487 500	(1 251 250)	236 250
Sundry Debtors	391 551	(176 440)	215 111
Total Receivables from Exchange Transactions	2 032 779	(1 427 690)	605 089
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Other Receivables	1 808 986	(460 744)	1 764 492
Property Rental Debtors	32 936	-	32 936
Payment made in Advance	46 250	-	462 500
Shared Services	450 000	(450 000)	-
Sundry Debtors	1 279 800	(10 744)	1 269 056
Total Receivables from Exchange Transactions	1 808 986	(460 744)	1 764 492

Other Receivables include outstanding debtors for various other services, e.g. Shared Services, Medical Aid Receivables and Property Rental.

The average credit period for Receivables is 30 days. No interest is charged for outstanding debtors. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

2.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2015

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Property Rental Debtors:					
Gross Balances	151 568	-	2 160	-	153 728
Less: Provision for Impairment	-	-	-	-	-
Net Balances	151 568	-	2 160	-	153 728
Shared Services:					
Gross Balances	-	-	-	1 487 500	1 487 500
Less: Provision for Impairment	-	-	-	(1 251 250)	(1 251 250)
Net Balances	-	-	-	236 250	236 250
Sundry Debtors:					
Gross Balances	206 681	1 126	1 126	182 618	391 551
Less: Provision for Impairment	-	-	-	(176 440)	(176 440)
Net Balances	206 681	1 126	1 126	6 179	215 111

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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2014
R

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

As at 30 June Receivables of R246 840 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 126	3 286	1 670 118	1 674 530
Less: Provision for Impairment	-	-	(1 427 690)	(1 427 690)
Net Balances	1 126	3 286	242 429	246 840

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	14 762	11 970	620	5 583	32 936
Less: Provision for Impairment	-	-	-	-	-
Net Balances	14 762	11 970	620	5 583	32 936
Payment made in Advance:					
Gross Balances	462 500	-	-	-	462 500
Less: Provision for Impairment	-	-	-	-	-
Net Balances	462 500	-	-	-	462 500
Shared Services:					
Gross Balances	-	-	-	450 000	450 000
Less: Provision for Impairment	-	-	-	(450 000)	(450 000)
Net Balances	-	-	-	-	-
Sundry Debtors:					
Gross Balances	1 269 024	-	-	10 776	1 279 800
Less: Provision for Impairment	(10 744)	-	-	-	(10 744)
Net Balances	1 258 280	-	-	10 776	1 269 056

As at 30 June Receivables of R28 950 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	11 970	620	466 360	478 950
Less: Provision for Impairment	-	-	(450 000)	(450 000)
Net Balances	11 970	620	16 360	28 950

2.2 Reconciliation of Provision for Impairment

Balance at beginning of year	(460 744)	-
Impairment Losses recognised	(966 945)	(461 828)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	1 084
Amounts recovered	-	-
Balance at end of year	(1 427 689)	(460 744)

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of the **Receivables from Exchange Transactions**, the Municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

2.3 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
3. VAT RECEIVABLE		
VAT Receivable	(231 925)	64 057
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.		
4. CASH AND CASH EQUIVALENTS		
Current Investments	276 716	3 270 631
Bank Accounts	248 085	313 244
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	524 802	3 583 875
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
4.1 Current Investment Deposits		
Term Deposits	41 708	459 393
Call Deposits	235 008	2 811 238
Total Current Investment Deposits	276 716	3 270 631
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10% to 5.75% (2014: 5.10% to 5.75%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54% to 5.68% (2014: 5.54% to 5.68%) per annum.		
Deposits attributable to Unspent Conditional Grants	-	-
Total Deposits attributable to Commitments of the Municipality	-	-
Deposits of R925 118 (2014: R831 302) are ring-fenced and attributable to Unspent Conditional Grants.		
4.2 Bank Accounts		
Cash in Bank	248 085	313 244
Bank Overdraft	-	-
Total Bank Accounts	248 085	313 244
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0197</i>		
Cash book balance at beginning of year	313 244	73 567
Cash book balance at end of year	248 085	313 244
Bank statement balance at beginning of year	313 444	235 340
Bank statement balance at end of year	248 319	313 444
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Term Deposit Number 605 438 4570</i>		
Cash book balance at beginning of year	459 393	512 680
Cash book balance at end of year	41 708	459 393
Bank statement balance at beginning of year	459 393	512 680
Bank statement balance at end of year	41 708	459 393

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
4. CASH AND CASH EQUIVALENTS (Continued)		
Call Deposits		
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 285 3831</i>		
Cash book balance at beginning of year	9 669	9 719
Cash book balance at end of year	-	9 669
Bank statement balance at beginning of year	9 669	9 719
Bank statement balance at end of year	-	9 669
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 926 938 9573</i>		
Cash book balance at beginning of year	206 740	2 081 649
Cash book balance at end of year	-	206 740
Bank statement balance at beginning of year	206 740	2 081 649
Bank statement balance at end of year	-	206 740
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 463 4894</i>		
Cash book balance at beginning of year	1 402	1 224
Cash book balance at end of year	6 545	1 402
Bank statement balance at beginning of year	1 402	1 224
Bank statement balance at end of year	6 545	1 402
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 355 2505</i>		
Cash book balance at beginning of year	2 333 195	1 658 221
Cash book balance at end of year	1 851	2 333 195
Bank statement balance at beginning of year	2 333 195	1 658 221
Bank statement balance at end of year	1 851	2 333 195
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 538 6731</i>		
Cash book balance at beginning of year	1 489	1 363
Cash book balance at end of year	1 055	1 489
Bank statement balance at beginning of year	1 489	1 363
Bank statement balance at end of year	1 055	1 489
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 638 8425</i>		
Cash book balance at beginning of year	1 298	1 313
Cash book balance at end of year	1 034	1 298
Bank statement balance at beginning of year	1 298	1 313
Bank statement balance at end of year	1 034	1 298
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 498 2487</i>		
Cash book balance at beginning of year	11 484	9 932
Cash book balance at end of year	220 302	11 484
Bank statement balance at beginning of year	11 484	9 932
Bank statement balance at end of year	220 302	11 484
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 930 121 9733</i>		
Cash book balance at beginning of year	-	6 776
Cash book balance at end of year	1 053	-
Bank statement balance at beginning of year	-	6 776
Bank statement balance at end of year	1 053	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 495 2305</i>		
Cash book balance at beginning of year	8 755	92 546
Cash book balance at end of year	-	8 755
Bank statement balance at beginning of year	8 755	92 546
Bank statement balance at end of year	-	8 755

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
4. CASH AND CASH EQUIVALENTS (Continued)		
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 451 0400</i>		
Cash book balance at beginning of year	42 712	1 177
Cash book balance at end of year	<u>-</u>	<u>42 712</u>
Bank statement balance at beginning of year	42 712	1 177
Bank statement balance at end of year	<u>-</u>	<u>42 712</u>
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 624 8065</i>		
Cash book balance at beginning of year	193 399	11 028 763
Cash book balance at end of year	<u>1 961</u>	<u>193 399</u>
Bank statement balance at beginning of year	193 399	11 028 763
Bank statement balance at end of year	<u>1 961</u>	<u>193 399</u>
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 924 344 9513</i>		
Cash book balance at beginning of year	-	4 847
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	4 847
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 243 7371</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 888 5566</i>		
Cash book balance at beginning of year	1 096	-
Cash book balance at end of year	<u>-</u>	<u>1 096</u>
Bank statement balance at beginning of year	1 096	-
Bank statement balance at end of year	<u>-</u>	<u>1 096</u>
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 8348 243</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>1 207</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>1 207</u>	<u>-</u>
4.3 Cash and Cash Equivalents		
Cash Floats and Advances	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>-</u>	<u>-</u>

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
5. OPERATING LEASE RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	699	2 574
Operating Lease Revenue recorded	-	-
Operating Lease Revenue effected	(699)	(1 875)
Total Operating Lease Receivables	-	699
Less: Amounts due for settlement within 12 months (Current Portion)	-	(699)
Total Operating Lease Receivables	-	-

5.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2014: 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

5.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	-	699
2 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	-	699

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R699 (2014: decrease of R1 875) in current year income.

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	33 064	52 218
Repairs and Maintenance	-	-

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets
	R	R	R	R	R	R
Carrying values at 1 July 2014	9 759 538	404 294	705 582	301 822	1 246 800	623 201
Cost	14 713 108	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Completed Assets	13 922 266	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Under Construction	790 842	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation	(4 953 569)	(845 238)	(1 332 565)	(738 538)	(570 080)	(1 761 492)
Acquisitions	616 053	92 597	15 781	14 231	353 855	1 511 000
Donated Asset	-	-	-	1 400	-	-
Depreciation	(868 288)	(152 293)	(173 286)	(70 702)	(118 355)	(842 656)
Carrying value of Disposals	(110 000)	(40 835)	(22 318)	(11 496)	(450 594)	(124 545)
- Cost	(110 000)	(360 814)	(154 499)	(72 126)	(652 779)	(2 001 683)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	319 979	132 181	60 630	202 185	1 877 138
Impairment Losses	-	-	-	-	-	-
Carrying values at 30 June 2015	9 397 303	303 763	525 759	235 254	1 031 706	1 167 000
Cost	15 219 160	981 315	1 899 429	983 864	1 517 956	1 894 010
- Completed Assets	15 219 160	981 315	1 899 429	983 864	1 517 956	1 894 010
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(5 821 857)	(677 552)	(1 373 670)	(748 610)	(486 250)	(727 010)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets
	R	R	R	R	R	R
Carrying values at 1 July 2013	9 830 306	487 030	914 664	399 047	1 349 230	801 411
Cost	13 922 266	1 166 062	2 014 385	1 012 363	1 816 880	2 025 044
- Completed Assets	13 922 266	1 166 062	2 014 385	1 012 363	1 816 880	2 025 044
- Under Construction	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation	(4 091 960)	(679 032)	(1 099 721)	(613 316)	(467 650)	(1 223 633)
Acquisitions	-	83 469	66 268	45 143	-	359 649
Capital under Construction - Additions	790 842	-	-	-	-	-
Depreciation	(861 609)	(166 205)	(259 595)	(138 906)	(102 430)	(537 860)
Carrying value of Disposals	-	-	(15 756)	(3 462)	-	-
- Cost	-	-	(42 507)	(17 146)	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	26 751	13 684	-	-
Impairment Losses	-	-	-	-	-	-
Carrying values at 30 June 2014	9 759 538	404 294	705 582	301 822	1 246 800	623 201
Cost	14 713 108	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Completed Assets	13 922 266	1 249 532	2 038 147	1 040 359	1 816 880	2 384 693
- Under Construction	790 842	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(4 953 569)	(845 238)	(1 332 565)	(738 538)	(570 080)	(1 761 492)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Total
R
13 041 236
23 242 718
22 451 876
790 842
-
(10 201 482)
2 603 517
1 400
(2 225 580)
(759 788)
(3 351 901)
-
2 592 113
-
12 660 785
22 495 734
22 495 734
-
-
(9 834 949)

Total
R
13 781 687
21 957 000
21 957 000
-
-
(8 175 312)
554 529
790 842
(2 066 605)
(19 217)
(59 653)
-
40 436
-
13 041 236
23 242 718
22 451 876
790 842
-
(10 201 482)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

6.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

6.3 Assets pledged as security

The Municipality's obligations under Finance Leases (see Note 12) are secured by the lessors' title to the leased assets. No other assets of the Municipality have been pledged as security.

6.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the Municipality at the reporting date.

6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned asset categories for the financial year:

Other Assets	(202 635)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(202 635)	-

The change in estimates will result in a decrease of R202 635 in the Depreciation Expense for the Municipality over the next three financial years.

6.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation	37 374	60 273
---------------------------------------	---------------	---------------

The movement in Intangible Assets is reconciled as follows:

Carrying values at 1 July	60 273	122 047
Cost	397 692	397 692
Accumulated Amortisation	(337 419)	(275 645)
Acquisitions	-	-
Amortisation	(22 899)	(61 774)
Disposals	-	-
Carrying values at 30 June	37 374	60 273
Cost	397 692	397 692
Accumulated Amortisation	(360 318)	(337 419)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 22).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

7.1 Intangible Assets with Indefinite Useful Lives

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
7. INTANGIBLE ASSETS (Continued)		
7.2 Impairment of Intangible Assets		
No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.		
8. INVESTMENT PROPERTY		
At Fair Value	1 953 700	2 636 700
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	2 636 700	2 636 700
Fair Value	2 636 700	2 636 700
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	(683 000)	-
At Fair Value	(683 000)	-
At Accumulated Impairment	-	-
Carrying values at 30 June	1 953 700	2 636 700
Fair Value	1 953 700	2 636 700
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	1 953 700	2 636 700
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	164 944	157 247
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-
All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.		
There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations on Investment Property.		
Refer to Appendix "B" for more detail on Investment Property.		
8.1 Investment Property carried at Fair Value		
The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.		
The following assumptions were used:		
Discount Rate	7.80%	7.80%
Other		
8.2 Impairment of Investment Property		
No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9. PROVISIONS

	2015 R	2014 R
Current Portion of Ex-Gratia Benefit Liability (See Note 13)	23 400	23 400
Current Portion of Post-retirement Health Care Benefits Liability (See Note 13)	1 062 984	1 091 124
Total Provisions	1 086 384	1 114 524

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Ex-Gratia R	Post-retirement R
2015		
Balance at beginning of year	23 400	1 091 124
Contributions to provision	-	-
Expenditure incurred	-	(28 140)
Balance at end of year	23 400	1 062 984
	Ex-Gratia R	Post-retirement R
2014		
Balance at beginning of year	-	-
Contributions to provision	23 400	1 091 124
Expenditure incurred	-	-
Balance at end of year	23 400	1 091 124

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	283 342	1 129 579
Payments received in Advance	17 445	10 493
Staff Bonuses	750 623	682 393
Advances from Road Department	240 750	240 750
Other Creditors	4 023 327	3 377 446
Accrued Leave	1 256 834	1 212 552
Settlement	-	1 517 622
Total Payables	6 572 320	8 170 835

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government

	925 118	831 302
National Government Grants	-	-
Provincial Government Grants	924 071	831 302
Local Government Grants	1 048	-

11.2 Other Conditional Receipts

Public Contributions	-	-
	-	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Total Conditional Grants and Receipts	<u>925 118</u>	<u>831 302</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (Continued)

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 15 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

12. LONG-TERM LIABILITIES

Annuity Loans	1 891 878	2 462 750
Finance Lease Liabilities	1 645 526	331 877
Sub-total	3 537 404	2 794 627
Less: Current Portion transferred to Current Liabilities	(1 123 470)	(621 858)
Annuity Loans	(630 080)	(571 159)
Finance Lease Liabilities	(493 390)	(50 699)
Total Long-term Liabilities (Neither past due, nor impaired)	2 413 933	2 172 769

12.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2013: 5 to 10) years and at interest rates varying from 9.86% to 9.89% (2014: 9.86% to 9.89%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

12.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2014: 3 years). The effective interest rate on Finance Leases is between 1.48% and 8.31% (2014: 1.48% and 8.31%).

The Municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2015 R	2014 R	2015 R	2014 R
The obligations under Finance Leases are as follows:				
Amounts payable under finance leases:				
Within one year	1 275 756	332 408	383 764	50 699
In the second to fifth years, inclusive	1 345 314	487 209	878 466	281 178
	2 621 071	819 617	1 262 230	331 877
Less: Future Finance Obligations	(1 358 840)	(487 740)	-	-
Present Value of Minimum Lease Obligations	1 262 231	331 877	1 262 230	331 877
Less: Amounts due for settlement within 12 months (Current Portion)			(383 764)	(50 699)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			878 466	281 178

The Municipality has finance lease agreements for the following significant classes of assets:

- IT equipment

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
12. LONG-TERM LIABILITIES (Continued)		
Included in these classes are the following significant leases:		
(i) IT Equipment	R 1 262 231	R 331 877
- Installments are payable quarterly in advance		
- Average period outstanding	24 months	10 months
- Average effective interest rate	4.81%	2.87%
- Average quarterly installment	R 74 371	R 57 381

12.3 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

13. EMPLOYEE BENEFIT LIABILITIES

Ex-Gratia Benefit Liability	78 330	83 801
Post-retirement Health Care Benefits Liability	13 592 117	14 493 614

Total Employee Benefit Liabilities	13 670 447	14 577 415
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13.1 Ex-Gratia Benefit Liability

Balance at beginning of Year	107 201	177 294
Increase due to Discounting	6 982	11 531
Expenditure incurred	(23 400)	(25 740)
Actuarial (Gains) /Losses	10 947	(55 884)
Balance at end of Year	101 730	107 201
Transfer to Current Provisions	(23 400)	(23 400)
Total Post-retirement Health Care Benefits Liability	78 330	83 801

The Municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the Municipality. According to the rules of the Pension Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such pension fund on retirement, in which case the Municipality is liable for a certain portion of the pension fund membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Ex-Gratia Benefit Plan are made up as follows:

Continuation Members (Retirees, widowers and orphans)	4	4
Total Members	4	4

The liability in respect of past service has been estimated as follows:

Continuation Members (Retirees, widowers and orphans)	101 730	107 201
Total Liability	101 730	107 201

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.29%	7.30%
Health Care Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	7.29%	7.30%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R		
13. EMPLOYEE BENEFIT LIABILITIES (Continued)				
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	107 201	177 294		
Interest cost	6 982	11 531		
Benefits paid	(23 400)	(25 740)		
Actuarial losses / (gains)	10 947	(55 884)		
Total Recognised Benefit Liability	101 730	107 201		
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	101 730	107 201		
Total Benefit Liability	101 730	107 201		
The amounts recognised in the Statement of Financial Performance are as follows:				
Interest cost	6 982	11 531		
Expenditure incurred	(23 400)	(25 740)		
Actuarial losses / (gains)	10 947	(55 884)		
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(5 471)	(70 093)		
The history of experienced adjustments is as follows:				
	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	101 730	107 201	177 294	188 311
Deficit	101 730	107 201	177 294	188 311
Experienced adjustments on Plan Liabilities	90 782	163 085	177 294	192 090
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost			7 647	12 166
Effect on the defined benefit obligation			98 525	103 658
Decrease:				
Effect on the aggregate of the current service cost and the interest cost			6 262	10 938
Effect on the defined benefit obligation			105 154	110 998
Refer to Note 42 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.				
13.2 Post-retirement Health Care Benefits Liability				
Balance at beginning of Year			15 584 738	16 114 922
Contributions to Provision			437 078	364 273
Increase due to Discounting			1 280 559	1 193 190
Expenditure incurred			(1 091 125)	(1 131 801)
Actuarial (Gains) /Losses			(1 556 149)	(955 846)
Balance at end of Year			14 655 101	15 584 738
Transfer to Current Provisions			(1 062 984)	(1 091 124)
Total Long Service Awards Liability			13 592 117	14 493 614

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
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2014
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The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R		
13. EMPLOYEE BENEFIT LIABILITIES (Continued)				
The members of the Post-employment Health Care Benefit Plan are made up as follows:				
In-service Members (Employees)	26	28		
Continuation Members (Retirees, widowers and orphans)	31	31		
Total Members	57	59		
The liability in respect of past service has been estimated as follows:				
In-service Members	4 288 786	4 051 949		
Continuation Members	10 366 316	11 532 789		
Total Liability	14 655 102	15 584 738		
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:				
- Hosmed				
- Keyhealth				
- LA Health				
- Samwumed				
The Current-service Cost for the year ending 30 June 2015 is estimated to be R437 078, whereas the cost for the ensuing year is estimated to be R373 682 (2014: R364 273 and R437 078 respectively).				
The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount Rate	8.33%	8.51%		
Health Care Cost Inflation Rate	7.70%	7.90%		
Net Effective Discount Rate	0.58%	0.56%		
Expected Retirement Age - Females	58	37		
Expected Retirement Age - Males	58	41		
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	15 584 738	16 114 922		
Current service costs	437 078	364 273		
Interest cost	1 280 559	1 193 190		
Benefits paid	(1 091 125)	(1 131 801)		
Actuarial losses / (gains)	(1 556 149)	(955 846)		
Total Recognised Benefit Liability	14 655 101	15 584 738		
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	14 655 101	15 584 738		
Total Benefit Liability	14 655 101	15 584 738		
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	437 078	364 273		
Interest cost	1 280 559	1 193 190		
Benefits paid	(1 091 125)	(1 131 801)		
Actuarial losses / (gains)	(1 556 149)	(955 846)		
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(929 637)	(530 184)		
The history of experienced adjustments is as follows:				
	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	14 655 101	15 584 738	16 114 922	15 667 777
Deficit	14 655 101	15 584 738	16 114 922	15 667 777
Experienced adjustments on Plan Liabilities	16 211 251	16 540 584	16 114 922	15 667 777

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
13. EMPLOYEE BENEFIT LIABILITIES (Continued)		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 984 900	1 810 300
Effect on the defined benefit obligation	16 311 000	1 845 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 501 500	1 354 700
Effect on the defined benefit obligation	13 265 000	1 547 000
The Municipality expects to make a contribution of R295 008 (2014: R352 831) to the Defined Benefit Plans during the next financial year.		
14. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	41 708	466 525
Accumulated Surplus / (Deficit) due to the results of Operations	(10 283 556)	(6 803 897)
Total Accumulated Surplus	(10 241 848)	(6 337 372)
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.		
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.		
15. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	32 052 000	29 375 000
Provincial: COGHSTA (Housing Accreditation)	1 030 000	1 000 000
Provincial: Health Subsidy	-	100 000
Operational Grants	33 082 000	30 475 000
Conditional Grants	4 496 894	12 460 351
National: EPWP	998 951	1 000 000
National: FMG	1 250 000	1 250 000
National: MIG	-	-
National: MSIG	934 000	890 000
Provincial: Roads	776 752	777 058
Provincial: EPWP (Renosterberg)	18 749	1 120 557
Provincial: Sports, Arts and Culture	203 483	1 824 030
Provincial: NEAR	314 958	299 604
Provincial: Electrification Project	-	4 999 102
Provincial: Fire Fighting Equipment	-	300 000
Total Government Grants and Subsidies	37 578 894	42 935 351
Government Grants and Subsidies:		
Conditional Grants - Capital	636 918	-
Conditional Grants - Operational	3 859 976	12 460 351
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	33 082 000	30 475 000
Total Government Grants and Subsidies	37 578 894	42 935 351
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	36 941 976	42 935 351
Conditions met - transferred to Revenue: Capital Expenses	636 918	-
Total Transfers	37 578 894	42 935 351

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
15. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
15.1 National: Equitable Share	32 052 000	29 375 000
The Municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally. No funds were withheld.		
15.2 Provincial: COGHSTA (Housing Accreditation)		
Balance unspent at beginning of year	-	-
Current year receipts	1 030 000	1 000 000
Conditions met - transferred to Operating Revenue	(1 030 000)	(1 000 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-
This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.		
15.3 Provincial: Heath Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	-	100 000
Conditions met - transferred to Operating Revenue	-	(100 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-
To promote and support HIV Aids programmes within the Municipal area. No funds were withheld.		
Conditional Grants:		
15.4 National: Expanded Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Operating Revenue	(362 034)	(1 000 000)
Conditions met - transferred to Capital Revenue	(636 918)	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	1 048	-
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.		
15.5 National: Financial Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Operating Revenue	(1 250 000)	(1 250 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
15. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
15.6 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	1	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>1</u>	<u>-</u>
<p>The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.</p>		
15.7 National: Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	-
Current year receipts	934 000	890 000
Conditions met - transferred to Operating Revenue	(934 000)	(890 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>
<p>The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.</p>		
15.8 Provincial: Department of Roads		
Balance unspent at beginning of year	(190 903)	(210 423)
Current year receipts	770 181	796 578
Conditions met - transferred to Operating Revenue	(776 752)	(777 058)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current assets (see Note 2)	<u>(197 473)</u>	<u>(190 903)</u>
<p>The Roads Grant was allocated for the payment of the medical aid ex gratia for personnel that is and has been on pension. No funds have been withheld.</p>		
15.9 Provincial: Expanded Public Works Programme (Renosterberg)		
Balance unspent at beginning of year	18 749	-
Current year receipts	-	1 161 375
Conditions met - transferred to Operating Revenue	(18 749)	(1 120 557)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	(22 069)
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>0</u>	<u>18 749</u>
<p>To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.</p>		
15.10 Provincial: Sports, Arts and Culture		
Balance unspent at beginning of year	203 482	2 027 513
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	(203 483)	(1 824 030)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>(0)</u>	<u>203 482</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
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2014
R

To upgrade or build new sporting facilities at the Municipalities. All conditions attached to the grant were met.
No funds have been withheld.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
15. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
15.11 Provincial: NEAR		
Balance unspent at beginning of year	608 172	601 000
Current year receipts	629 958	306 776
Conditions met - transferred to Operating Revenue	(314 958)	(299 604)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	923 172	608 172

Funds from this grant is used to repair infrastructure that supports the provision of basic services and environmental health services for six months after the disaster. No funds have been withheld.

15.12 Provincial: Electrification Programme

Balance unspent at beginning of year	898	-
Current year receipts	-	5 000 000
Conditions met - transferred to Operating Revenue	-	(4 999 102)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	898	898

This grant was allocated to improve and upgrade the electrify infrastructure and enhance the electricity capacity within the Municipality. All conditions attached to the grant were met. No funds have been withheld.

15.13 Provincial: Fire Fighting Equipment

Balance unspent at beginning of year	-	-
Current year receipts	-	300 000
Conditions met - transferred to Operating Revenue	-	(300 000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	-	-

To enhance municipalities capacity to deal with fire hazards. All conditions attached to the grant were met. No funds have been withheld.

15.14 National: Regional Bulk Infrastructure Grant

The Regional Bulk Infrastructure Grant represents an indirect grant which is paid to the National Department of Water Affairs, which can enter into a service level agreement with the Municipality in order to build the infrastructure, but the accountability remains with Dept of Water Affairs until the asset is transferred to the Municipality.

Although an amount of R1 000 000 was allocated to the Municipality as per the DoRA, no service level agreement was entered into with the Department and no funds were requested. Therefore, this allocation has not been accounted for in the financial records of the Municipality.

16. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	5 700	50 000
Total Public Contributions and Donations	5 700	50 000

17. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	164 944	157 247
Total Rental of Facilities and Equipment	164 944	157 247

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

18. INTEREST EARNED

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
External Investments:		
Bank Account	16 731	12 383
Investments	339 249	739 584
Other Deposits	-	12 088
	<u>355 979</u>	<u>764 055</u>
Total Interest Received	355 979	764 055
Interest - Fixed Deposits	-	-
Interest - Notice Deposits	-	-
Interest - Other	-	-
	<u>355 979</u>	<u>764 055</u>
Interest - Variable Rate Instruments	<u>355 979</u>	<u>764 055</u>
Total Interest Earned	<u>355 979</u>	<u>764 055</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
18. INTEREST EARNED (Continued)		
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	355 979	764 055
Loans and Receivables	-	-
	355 979	764 055

19. OTHER REVENUE

Money Various	31 454	29 950
SETA Claims	45 993	132 174
Administration Cost	50 000	358 069
Insurance Claims Received	105 701	45 315
Telephone Deductions	67 061	39 801
Tender Documents	10 400	-
Income from Investments	-	551 820
Repairs Recovered	-	36 061
Training Income	-	26 056
Contribution from Municipalities	3 315 789	3 600 000
Total Other Revenue	3 626 399	4 819 247

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 15 to 18, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

20. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	19 773 849	19 030 205
Basic Salaries and Wages	18 040 370	16 493 761
Contribution to Leave Fund	195 730	186 565
Service Bonuses	1 537 750	2 349 879
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 604 988	3 291 543
Medical	549 188	573 011
Pension	2 929 458	2 599 634
Industrial Council Levy	6 597	5 956
UIF	119 745	112 942
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 576 064	1 502 889
Allowances	1 576 064	1 502 889
Pensioners Allowances	-	-
Housing Benefits and Allowances	149 147	102 494
Overtime Payments	274 752	150 865
Learnerships	45 000	141 000
Defined Benefit Plan Expense:	120 593	445 025
Current Service Cost	437 078	364 273
Interest Cost	1 287 541	1 204 721
Net Actuarial (gains)/losses recognised	(1 604 026)	(1 123 969)
Total Employee Related Costs	25 544 393	24 664 021

No advances were made to employees.

Included in Employee Related Costs is an amount of R2 929 458 (2014: R2 599 634) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	856 800	816 631
Performance Bonus	71 400	50 422
Car and Other Allowances	100 481	134 820
Company Contributions to UIF, Medical and Pension Funds	156 090	89 074
Total	1 184 771	1 090 948

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
20. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	772 800	732 325
Service Bonus	64 400	62 465
Car and Other Allowances	86 732	154 834
Company Contributions to UIF, Medical and Pension Funds	140 970	133 679
Total	1 064 902	1 083 304
<i>Remuneration of the Infrastructure Manager</i>		
Annual Remuneration	348 644	303 000
Service Bonus	-	50 500
Car and Other Allowances	54 135	181 338
Company Contributions to UIF, Medical and Pension Funds	1 089	55 470
Total	403 867	590 308
The post was vacant from 1 July 2014 to 30 November 2014.		
<i>Remuneration of the Planner PIMS</i>		
Annual Remuneration	700 300	392 990
Service Bonus	54 150	29 383
Car and Other Allowances	92 616	90 217
Company Contributions to UIF, Medical and Pension Funds	118 830	64 552
Total	965 896	577 141
<i>Remuneration of the Chief Corporate Services</i>		
Annual Remuneration	700 800	668 525
Performance Bonus	58 400	108 600
Car and Other Allowances	98 519	163 163
Company Contributions to UIF, Medical and Pension Funds	128 010	119 149
Total	985 729	1 059 437
<i>Remuneration of the Manager: Office of the Executive Mayor</i>		
Annual Remuneration	230 984	-
Service Bonus	-	-
Car and Other Allowances	58 800	-
Company Contributions to UIF, Medical and Pension Funds	65 837	-
Total	355 621	-
<i>Remuneration of the Communication Manager</i>		
Annual Remuneration	556 873	532 517
Service Bonus	48 000	44 500
Car and Other Allowances	97 689	148 657
Company Contributions to UIF, Medical and Pension Funds	7 063	1 861
Total	709 625	727 535

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

21. REMUNERATION OF COUNCILLORS

Executive Mayor	730 495	689 826
Speaker	585 596	553 061
Members of Mayoral Committee	1 442 987	1 353 255
Councillors	783 834	739 474
Total Councillors' Remuneration	3 542 912	3 335 616

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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The Mayor has use of a Council owned vehicle for official duties.

22. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment

2 225 580

2 066 605

Amortisation: Intangible Assets

22 899

61 774

Total Depreciation and Amortisation

2 248 479

2 128 379

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23. IMPAIRMENT LOSSES		
23.1 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	868 546	461 287
Receivables from Exchange Transactions	868 546	461 287
Impairment Losses Reversed:	-	-
Receivables from Exchange Transactions	-	-
	868 546	461 287
23.2 Bad Debts Written-off		
Bad Debts Written-off:	-	5 334
Receivables from Exchange Transactions	-	5 334
	-	5 334
Total Impairment Losses	868 546	466 621
25. REPAIRS AND MAINTENANCE		
Land and Buildings	124 702	105 067
Other Assets	175 914	294 159
Total Repairs and Maintenance	300 616	399 226
26. FINANCE COSTS		
Bank Overdrafts	2 960	2 593
Current Borrowings	217 826	271 585
Finance Leases	910 812	391 944
Settlement	116 847	616 743
Total Interest Paid on External Borrowings	1 248 445	1 282 866
The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2014: 5.27% per annum).		
27. CONTRACTED SERVICES		
Other Contracted Services	56 930	175 161
Total Contracted Services	56 930	175 161
28. GRANTS AND SUBSIDIES PAID		
EPWP Renosterberg	42 712	1 035 281
EPWP Projects	317 603	89 751
Housing Implementation Plan	648 066	-
Project Nala	-	-
Sport Facilities	188 079	1 671 429
District Wide Programs	156 336	385 227
Electrification Project	-	4 415 879
L E D	-	37 619
Total Grants and Subsidies	1 352 797	7 635 186

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
29. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertisements	65 610	120 363
Consulting Cost	291 789	302 905
Bank Cost	66 155	77 882
Protective Clothing	17 080	21 228
Fire Extinguishers	-	2 100
Training	95 063	290 000
Audit Cost	2 043 893	2 456 444
Printing & Stationary	167 786	354 580
Sundries	15 828	14 147
Bursaries	1 938	18 070
PKS Newsletter	127 632	115 526
Property Tax	43 916	49 762
Electricity and Water	118 168	81 414
Office Expenditure	451 111	183 700
Congress Cost	45 051	14 750
SETA Payments	326 235	240 100
Membership Fees	525 734	729 689
Audit Committee	48 271	20 943
Travel and Subsistence	2 139 395	2 220 609
Fuel and Oil	606 520	614 965
Cellphone & Telephone	360 717	445 878
Entertainment : Councillors	-	32 317
Public Entertainment	214 777	174 135
Postage	2 102	1 780
Legal Cost	944 039	210 577
Strategic Planning	50 022	-
Water Samples	60 783	38 668
Sewerage	-	267
Insurance Claims	8 772	42 737
Fire Fighting Equipment for Municipalities	313 158	341 514
Insurance General	367 783	338 034
Compensation Commissioner	139 335	202 868
Settlement	-	900 879
Total General Expenses	9 658 660	10 658 827

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

30. GAINS / (LOSSES) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds on Sale of Assets	628 173	-
Assets Disposed at Carrying Value:	(1 442 788)	(19 217)
Cost of Disposed Assets	(4 034 901)	(59 653)
Accumulated Depreciation of Disposed Assets	2 592 113	40 436
Accumulated Impairment of Disposed Assets	-	-
Total Gains / Losses on Disposal of Capital Assets	(814 615)	(19 217)

31. CHANGE IN ACCOUNTING POLICY

No Changes in Accounting Policies occurred during the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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32. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2014 and 30 June 2015. Details of the adjustments are as follows:

32.1 Corrections made to Assets

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Assets of the Municipality.

The effect of the Correction of Error is as follows:

	2013/2014 Published	Errors	Movement Reclassification	Total	2013/2014 Restated
Receivables from Exchange Transactions	1 127 592	636 900	21 999	658 898	1 764 492
VAT Receivable	64 057	-	-	-	64 057
Cash and Cash Equivalents	3 583 875	-	-	-	3 583 875
Current Portion of Operating Lease Asset	9 618	(8 919)	-	(8 919)	699
Property, Plant and Equipment	13 041 237	-	-	-	13 041 236
Intangible Assets	60 272	-	-	-	60 273
Investment Property	2 636 700	-	-	-	2 636 700
Operating Lease Asset	-	-	-	-	-
	20 523 351	627 981	21 999	649 979	21 151 331

32.2 Corrections made to Liabilities

The prior year figures of Liabilities have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality.

The effect of the Correction of Error is as follows:

	2013/2014 Published	Errors	Movement Reclassification	Total	2013/2014 Restated
Provisions	(1 114 524)	-	-	-	(1 114 524)
Payables from Exchange Transactions	(7 462 052)	(708 783)	(21 999)	(730 781)	(8 170 835)
Unspent Conditional Grants and Receipts	(1 189 131)	357 830	-	357 830	(831 302)
Current Portion of Long-term Liabilities	(621 858)	-	-	-	(621 858)
Long-term Liabilities	(2 172 769)	-	-	-	(2 172 769)
Employee Benefit Liabilities	(14 577 415)	-	-	-	(14 577 415)
	(27 137 749)	(350 953)	(21 999)	(372 952)	(27 488 703)

32.3 Corrections made to Net Assets

The prior year figures of Net Assets have been restated to correct errors and correctly classify the nature of Liabilities of the Municipality. The errors corrected includes the cumulative effect of those affecting the Statement of Financial Performance.

	2013/2014 Published	Errors	Movement Reclassification	Total	2013/2014 Restated
Opening Balance	4 945 410	-	-	-	4 945 411
Correction of Error	-	(647 259)	-	(647 259)	(647 259)
Surplus (Deficit)	1 668 987	370 232	-	370 232	2 039 219
	6 614 397	(277 028)	-	(277 028)	6 337 372

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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32. CORRECTION OF ERROR (Continued)

32.4 Corrections made to Revenue

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2013/2014 Published	Errors	Movement Reclassification	Total	2013/2014 Restated
Government Grants and Subsidies Received	(42 684 749)	(250 602)	-	(250 602)	(42 935 351)
Public Contributions and Donations	(50 000)	-	-	-	(50 000)
Rental of Facilities and Equipment	(163 715)	6 468	-	6 468	(157 247)
Interest Earned - External Investments	(736 846)	(27 210)	-	(27 210)	(764 055)
Other Revenue	(4 819 247)	-	-	-	(4 819 247)
Other Gains and Losses	-	-	-	-	-
	(48 454 557)	(271 344)	-	(271 344)	(48 725 900)

32.5 Corrections made to Expenditure

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

	2013/2014 Published	Errors	Movement Reclassification	Total	2013/2014 Restated
Employee Related Costs	23 981 628	682 393	-	682 393	24 664 021
Remuneration of Councillors	3 335 616	-	-	-	3 335 616
Depreciation and Amortisation	2 128 379	-	-	-	2 128 379
Impairment Losses	466 621	-	-	-	466 621
Repairs and Maintenance	399 226	-	-	-	399 226
Finance Costs	1 282 866	-	-	-	1 282 866
Contracted Services	175 161	-	-	-	175 161
Grants and Subsidies Paid	7 635 186	-	-	-	7 635 186
General Expenses	10 699 644	(40 817)	-	(40 817)	10 658 827
Loss on Disposal of Property, Plant and Equipment	19 217	-	-	-	19 217
	50 123 544	641 576	-	641 576	50 765 120

The detail regarding the nature of the errors corrected, are as follows:

32.6 Operating Lease Asset incorrectly recognised

During the current year it was discovered that the Telkom Lease (Portion of District Municipal Building, Erf 222, Victoria Street, Carnarvon) was concluded on a month-to-month basis. During the calculation of the 2013 and 2014 Operating Lease Assets, it was however incorrectly included in the balance. The following corrections need to be made to the 2013 and 2014 financial figures:

The effect of the Correction of Error is as follows:

Statement of Financial Position

Increase / (Decrease) in the Operating Lease Asset	(8 919)	(8 919)
(Increase) / Decrease in the Accumulated Surplus	8 919	2 451

Statement of Financial Performance

(Increase) / Decrease in the Rental from Facilities	-	6 468
	-	-

32.7 Correction of Interest incorrectly included in the Unspent Balance at yearend

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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During the 2014 financial year, Management was requested to exclude all accrued interest from its Unspent Conditional Grant balances. During the year, management embarked to correct this retrospectively and the following adjustments were made to its Unspent Conditional balances:

The effect of the Correction of Error is as follows:

Statement of Financial Position

Increase / (Decrease) in the Trade Receivables from Exchange Transactions	(16 503)	(16 503)
(Increase) / Decrease in the Payables from Exchange Transactions	1 112	1 112
(Increase) / Decrease in the Unspent Conditional Grants	36 157	36 157
(Increase) / Decrease in the Accumulated Surplus	(20 766)	(23 037)

Statement of Financial Performance

(Increase) / Decrease in the Grants and Subsidies Received	-	29 481
(Increase) / Decrease in the Interest Earned - External Investments	-	(27 210)
	<u>-</u>	<u>-</u>

32.8 Transaction recorded in incorrect period

It was discovered that the Medical Aid contribution recovered from the Department of Roads have been recorded in the incorrect period, due to the billing cycle used by the Municipality. The applicable Receivable and Revenue has subsequently been calculated and accounted for. The following adjustments made to the 2013 and 2014 financial figures:

The effect of the Correction of Error is as follows:

Statement of Financial Position

Increase / (Decrease) in the Trade Receivables from Exchange Transactions	190 903	190 903
(Increase) / Decrease in the Accumulated Surplus	(190 903)	(210 423)

Statement of Financial Performance

(Increase) / Decrease in the Grants and Subsidies Received	-	19 521
	<u>-</u>	<u>-</u>

32.9 EPWP Debtor incorrectly recorded

The Municipality did not claim all Administrative Fees during the 2014 financial year. During the correction of the statements, this amount was incorrectly recorded as a debtor and not recognised against the Unspent Portion available.

The effect of the Correction of Error is as follows:

Statement of Financial Position

(Increase) / Decrease in the Payables from Exchange Transactions	(22 069)	(22 069)
(Increase) / Decrease in the Unspent Conditional Grants	22 069	22 069
	<u>-</u>	<u>-</u>

32.10 NEAR Grant revenue not recognised

During the current year, management identified expenditure which met the conditions of the grant for which revenue should have been recognised. This error was retrospectively adjusted.

The effect of the Correction of Error is as follows:

Statement of Financial Position

(Increase) / Decrease in the Unspent Conditional Grants	299 604	299 604
(Increase) / Decrease in the Accumulated Surplus	(299 604)	-

Statement of Financial Performance

(Increase) / Decrease in the Grants and Subsidies Received	-	(299 604)
	<u>-</u>	<u>-</u>

32.11 Legal Fees recognised in incorrect period

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Legal fees, which was incurred in the previous financial year, was not provided at 30 June 2014. This error was retrospectively adjusted.

The effect of the Correction of Error is as follows:

Statement of Financial Position

(Increase) / Decrease in the Payables from Exchange Transactions

(5 433)

(5 433)

(Increase) / Decrease in the Accumulated Surplus

5 433

-

Statement of Financial Performance

Increase / (Decrease) in the General Expenses

-

5 433

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R	2014 R
-	-

32.12 Provision for 13th Cheque

In previous financial periods, annual bonuses were paid to all employees of the Municipality. The policy was however changed in 2014 stating that 13th Cheques (i.e. Bonuses) would be paid to employees in their respective birthday months. This resulted in a creditor to be recognised at yearend for the applicable portions not yet paid. This provision was not made in the 2014 financial year and this error has been retrospectively corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position

(Increase) / Decrease in the Payables from Exchange Transactions	(682 393)	(682 393)
(Increase) / Decrease in the Accumulated Surplus	682 393	-

Statement of Financial Performance

Increase / (Decrease) in the Employee Related Costs	-	682 393
	-	-

32.13 SALGA Payments made in Advance

In order to benefit financially, Management made a payment in advance to SALGA in the 2013 and 2014 financial years for their 2014 and 2015 membership fees respectively. These payments were however expensed in the year in which the payment was made and no Payment made in Advance (Receivable) was recognised. This error has subsequently been corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position

Increase / (Decrease) in the Trade Receivables from Exchange Transactions	462 500	462 500
(Increase) / Decrease in the Accumulated Surplus	(462 500)	(416 250)

Statement of Financial Performance

Increase / (Decrease) in the General Expenses	-	(46 250)
	-	-

33. CHANGE IN ACCOUNTING ESTIMATES

33.01 Review of Residual Values and Estimated Useful Lives

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2015. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(202 635)	-
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	(38 875)	-
Increase / (Decrease) in Depreciation of PPE	(241 510)	-
Depreciation and Amortisation as previously stated	2 489 838	-
Adjustment due to Change in Accounting Estimate	(241 510)	-
Depreciation and Amortisation as per Note 22	2 248 328	-

33.02 Finance Cost Adjustment in respect of Settlement

During the 2014 financial year the Municipality was involved in a court case, which was resulted in a settlement amount to be paid by the Municipality. Included was interest, which was provided for at 30 June 2014. During the 2015 financial year the settlement was paid and it was found that the interest was materially overstated in the previous year. The adjustments are as follows:

Increase / (Decrease) in Finance Cost	(131 158)	-
Increase / (Decrease) in Finance Cost	(131 158)	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Finance Cost as previously stated	1 379 603	-
Adjustment due to Change in Accounting Estimate	(131 158)	-
Finance Cost as per Note 26	1 248 445	-

34. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(3 904 477)	(2 039 219)
Adjustment for:		
Donations Received	(1 400)	-
Depreciation and Amortisation	2 248 479	2 128 379
Losses / (Gains) on Disposal of Property, Plant and Equipment	814 615	19 217
Contribution to Post-retirement Health Care Benefits	(935 108)	(600 277)
Contribution to Impairment Provision	868 546	461 827
Bad Debts Written-off	-	4 794
Operating surplus before working capital changes	(909 345)	(25 278)
Decrease/(Increase) in Receivables from Exchange Transactions	290 857	(1 229 198)
Decrease/(Increase) in VAT Receivable	295 982	111 435
Decrease/(Increase) in Operating Lease Assets	699	13 904
Increase/(Decrease) in Payables from Exchange Transactions	(1 598 515)	(6 922 932)
Increase/(Decrease) in Conditional Grants and Receipts	93 817	(1 839 822)
Cash generated by / (utilised in) Operations	(1 826 506)	(9 891 891)

35. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2015 financial year, the Municipality acquired R1 511 000 (2014: R359 649) of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

36. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount used	-	-
- Amount unused	-	1 500 000
	-	-

Unsecured Fleet Card Facility, reviewed annually and payable monthly:

- Amount used	-	-
- Amount unused	100 000	60 000
	-	-

37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 12)	3 537 404	2 794 627
Used to finance Property, Plant and Equipment - at cost	(3 537 404)	(2 794 627)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	2 220 039	661 417
Unauthorised Expenditure current year	-	1 728 559
Approved by Council or condoned	-	-
Transfer to Receivables for recovery (see Note 2)	-	(169 937)
Unauthorised Expenditure awaiting authorisation	<u>2 220 039</u>	<u>2 220 039</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Votes exceeded:</i>	
None were identified	

38.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	694 275	471 355
Fruitless and Wasteful Expenditure current year	248 004	229 422
Correction of Prior Year Estimate	(131 157)	-
Condoned or written off by Council	-	-
Transfer to Receivables for recovery (see Note 2)	-	(6 502)
Fruitless and Wasteful Expenditure awaiting condonement	<u>811 122</u>	<u>694 275</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Fruitless and Wasteful Expenditure identified was inspected and it can be categorised as</i>	
The Municipality incurred interest on the account of the Auditor-General. This is the result of the balance outstanding at yearend, which could not be paid by the Municipality due to cash flow constraints. Subsequently, management has engaged the Auditor-General and has agreed to a settlement agreement. To date, the Municipality has complied with the settlement conditions.	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expense incurred. Based on the nature of the expenditure, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditure / loss.

38.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	54 568 650	31 476 246
Irregular Expenditure current year	1 974 410	23 092 404
Condoned or written off by Council	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Irregular Expenditure awaiting condonement	<u>56 543 060</u>	<u>54 568 650</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	
Non-compliance based on Contracts awarded: No such instances occurred during the year = R0 (2014: R6 467 057)	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.
Original Tax Clearance Certificates not provided: One instance occurred whereby the Municipality acquired the service in excess of R15 000 from a single provider for which it did not have an Original Tax Certificate = R17 117 (2014: R15 345 245)	
Declaration of Interest not provided: No such instances occurred during the year whereby the applicable declarations were not obtained = R0 (2014: R467 123)	
Preferential Procurement not followed: The Municipality incurred expenditure in excess of R30 000 whereby the PPPFA stipulations and requirements were not followed = R1 946 173 (2014: R751 437)	
Number of required Quotations not obtained: In one instance a payment was made to a supplier on a faxed invoice (R10 080) and in another the payment was made on a pro-forma invoice (R1 043). In both cases the original invoice was not presented with payment = R11 123 (2014: R61 543)	

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 Contributions to organised local government - SALGA

Opening Balance	462 500	416 250
Council Subscriptions	(462 500)	(416 250)
Amount Paid - current year	-	462 500
Amount Paid - previous years	-	-
Balance Prepaid (included in Debtors)	<u>-</u>	<u>462 500</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
39.2 Audit Fees		
Opening Balance	(3 039 331)	(1 607 020)
Current year audit fee	(2 138 065)	(2 311 025)
Current year interest	(248 004)	(203 940)
Amount Paid - current year	643 641	-
Amount Paid - previous years	875 645	1 082 653
Balance Unpaid (included in Creditors)	<u>(3 906 114)</u>	<u>(3 039 331)</u>

39.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 3. All VAT returns have been submitted by the due date throughout the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

39.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	4 965 157	4 685 651
Amount Paid - current year	(4 965 157)	(4 685 651)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

39.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 699 974	3 173 016
Amount Paid - current year	(5 699 974)	(3 173 016)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

39.6 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Unauthorised, Irregular or Fruitless and Wasteful Expenditure	4	32	4
General Financial Management Functions	8	62	1
Revenue Management	8	64	2
Expenditure Management	8	65	1 & 2
Disclosures on Intergovernmental and Other Allocations	12	123	
Disclosures concerning Councillors, Directors and Officials	12	124	
Other Compulsory Disclosures	12	125	
Audit Committees	14	166	

39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

All deviations from the the Municipality's Supply Chain Management Policy were identified and disclosed as irregular expenditure in Note 38.3.

40. COMMITMENTS FOR EXPENDITURE

40.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	929 009	19 134 384
Other	929 009	19 134 384
- Approved but Not Yet Contracted for:-	-	-
Infrastructure	-	-
Other	-	-
Total Capital Commitments	929 009	19 134 384

This expenditure will be financed from:

Government Grants	929 009	19 134 384
Own Resources	-	-
	929 009	19 134 384

40.2 Lease Commitments

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Non-cancellable Operating Lease Commitments are disclosed in Note 5.

40.3 Other Commitments

The Municipality has entered into a contract with Ducharme Consulting (Pty) Ltd during the 2015 financial year for the compilation of Annual Financial Statements and audit assistance, which will give rise to a total charge of R414 534.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
41. FINANCIAL INSTRUMENTS			
41.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Property Rental Debtors	Amortised cost	153 728	32 936
Shared Services	Amortised cost	236 250	-
Sundry Debtors	Amortised cost	215 111	1 269 056
Cash and Cash Equivalents			
Term Deposits	Amortised cost	41 708	459 393
Call Deposits	Amortised cost	235 008	2 811 238
Bank Balances	Amortised cost	248 085	313 244
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Property Rental Debtors	153 728	32 936
Receivables from Exchange Transactions	Shared Services	236 250	-
Receivables from Exchange Transactions	Sundry Debtors	215 111	1 269 056
Cash and Cash Equivalents	Term Deposits	41 708	459 393
Cash and Cash Equivalents	Call Deposits	235 008	2 811 238
Cash and Cash Equivalents	Bank Balances	248 085	313 244
Total Financial Assets		1 129 891	4 885 867
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	2 521 958	3 033 909
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	283 342	1 129 579
Payments received in Advance	Amortised cost	17 445	10 493
Advances from Road Department	Amortised cost	240 750	240 750
Other Creditors	Amortised cost	4 023 327	3 377 446
Accrued Leave	Amortised cost	1 256 834	1 212 552
Settlement	Amortised cost	-	1 517 622
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	630 080	571 159
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	2 521 958	3 033 909
Payables from Exchange Transactions	Trade Creditors	283 342	1 129 579
Payables from Exchange Transactions	Payments received in Advance	17 445	10 493
Payables from Exchange Transactions	Advances from Road Department	240 750	240 750
Payables from Exchange Transactions	Other Creditors	4 023 327	3 377 446
Payables from Exchange Transactions	Accrued Leave	1 256 834	1 212 552
Payables from Exchange Transactions	Settlement	-	1 517 622
Current Portion of Long-term Liabilities	Annuity Loans	630 080	571 159
Total Financial Liabilities		8 973 737	11 093 511

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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R **R**

41. FINANCIAL INSTRUMENTS (Continued)

41.2 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 12, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	3 537 404	2 794 627
Cash and Cash Equivalents	524 802	3 583 875
Net Debt	<u>4 062 206</u>	<u>6 378 502</u>
Equity	<u>10 241 848</u>	<u>6 337 372</u>
Net debt to equity ratio	<u>39.66%</u>	<u>100.65%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

41.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

41.4 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

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Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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41. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

41.5 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.5.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2015 would have increased / decreased by RXX (2014: RXX). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

41.6 Credit Risk Management

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 **2014**
R **R**

41. FINANCIAL INSTRUMENTS (Continued)

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	2 032 779	1 808 986
Bank, Cash and Cash Equivalents	524 802	3 583 875
Maximum Credit and Interest Risk Exposure	2 557 581	5 392 861

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	%	%
Other Debtors:		
- Other not Classified	100%	100%
Total Credit Risk	100%	100%

Bank and Cash Balances

ABSA Bank Ltd	524 802	3 583 875
Total Bank and Cash Balances	524 802	3 583 875

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Group 1	2 032 779	1 808 986
Group 2	-	-
Group 3	-	-
Total Receivables from Exchange Transactions	2 032 779	1 808 986

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 36 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2015								
Non-interest Bearing			6 572 320	6 572 320	-	-	-	-
- Payables from Exchange transactions	10	0.00%	6 572 320	6 572 320	-	-	-	-
Fixed Interest Rate Instruments			2 168 720	394 249	394 249	788 698	591 524	-
- DBSA	12	10.00%	2 168 720	394 249	394 249	788 698	591 524	-
Variable Interest Rate Instruments			3 192 357	750 526	750 526	1 391 541	299 764	-
- Canon	12	Various	3 192 357	750 526	750 526	1 391 541	299 764	-
			8 741 041	6 966 570	394 249	788 698	591 524	-
30 June 2014								
Non-interest Bearing			8 170 835	8 170 835	-	-	-	-
- Payables from Exchange transactions	10	0.00%	8 170 835	8 170 835	-	-	-	-
Fixed Interest Rate Instruments			2 957 419	394 249	394 249	788 698	1 380 222	-
- DBSA	12	10.00%	2 957 419	394 249	394 249	788 698	1 380 222	-
Variable Interest Rate Instruments			819 617	166 204	166 204	382 269	104 940	-
- Canon	12	Various	819 617	166 204	166 204	382 269	104 940	-
			11 128 254	8 565 084	394 249	788 698	1 380 222	-

The Municipality has access to financing facilities, the total unused amount which is R1 600 000 (2014: R1 560 000), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

41.8 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2015
R	R

42. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2 929 458 (2014: R2 599 634) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R31,425 (30 June 2012: R(7,980)) million, with funding levels of 100.2% and 105.1% (30 June 2012: 99.9% and 108.0%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

43. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

43.1 Interest of Related Parties

No relationships have been identified.

43.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

43.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No such loans existed at yearend.

43.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

43.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be Related Parties.

The Municipality did however conducted business with a person that is connected to a councillor of the Municipality. The councillor was not involved in the appointment of the service provider and the correct SCM Regulations and Practices were followed. The value of the service provided amounted to R15 000 and has been disclosed as required by Regulation 45 of the Supply Chain Regulations.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2015
	R	R

44. CONTINGENT LIABILITIES

44.1 Other Possible Liabilities:

(i) Foreign residents in employment

The Municipality currently have employees that are defined as foreigners as per the Immigrant Act, 2002 (Act No. 13 of 2002). The Municipality may be liable for a fine or imprisonment not exceeding one year, if found guilty of knowingly employing a foreigner.

Subsequent to year end, but before the issue of the Annual Financial Statements, one of the aforementioned employees were arrested in terms of the Immigrant Act, 2002 (Act No. 13 of 2002). The legal case is still pending and the employee's contract has subsequently been terminated. Management is currently unaware of the impact of the case on the Municipality.

Management is currently investigating the situation to determine the possible impact such non-compliance may have on the Municipality.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2015
R R

45. CONTINGENT ASSETS

The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

46. IN-KIND DONATIONS AND ASSISTANCE

The Municipality did received In-kind Donations in the form of Donated Assets. The financial effect of the Donation is as follows:

Increase / (Decrease) in Property Plant and Equipment	1 249	-
(Increase) / Decrease in Donations Received	(1 400)	-
Increase / (Decrease) in Depreciation Expense	151	-
	<u>-</u>	<u>-</u>

No restrictions and / or conditions were attached to the donation.

47. PRIVATE PUBLIC PARTNERSHIPS

The Municipality was not a party to any Private Public Partnerships during the year under review.

48. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

49. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 31) and Prior Period Errors (Note 32).

50. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 1 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 1 July 2014	Received during the Period	Redeemed/ Written Off during Period
ANNUITY LOANS	R				R	R	R
DBSA	4 925 202	10.00%	102 850	2018/03/31	2 462 750	-	(570 872)
Total Annuity Loans	4 925 202				2 462 750	-	(570 872)
CAPITAL LEASE LIABILITIES							
Canon	1 870 649	Various	Various	2016/11/01	331 877	1 511 000	(197 351)
Total Capital Lease Liabilities	1 870 649				331 877	1 511 000	(197 351)
TOTAL EXTERNAL LOANS	6 795 851				2 794 627	1 511 000	(768 223)

ANNUITY LOANS:

DBSA:

The Annuity Loan is repaid over a period of 10 (2014: 10) years, at an interest rate of 10.00% (2014: 10.00%) per annum. The Annuity Loan is not secured.

CAPITAL LEASE LIABILITIES:

Canon:

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2013: 5) years. The effective interest rate on Finance Leases is between 13.21% and 48.48.13%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' : the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable their remaining lives, in order to absorb the increase or decrease in costs.

Balance at 30 June 2015
R
1 891 878
1 891 878
1 645 526
1 645 526
3 537 404

13% (2013: 13.21 to

**statutory costs and
Income Tax Act or
e on the loans over**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings									
Land	110 200	-	-	110 200	-	-	-	-	110 200
Buildings	14 602 908	636 918	(110 000)	15 239 826	4 953 569	868 288	-	5 821 857	9 417 969
	14 713 108	636 918	-	15 350 026	4 953 569	868 288	-	5 821 857	9 528 169
Leased Assets									
Office Equipment	2 384 693	1 511 000	(2 001 683)	1 894 010	1 761 492	842 656	(1 877 138)	727 010	1 167 000
	2 384 693	1 511 000	(2 001 683)	1 894 010	1 761 492	842 656	(1 877 138)	727 010	1 167 000
Other Assets									
<i>Emergency Equipment</i>									
Emergency Equipment	156 083	-	-	156 083	106 716	11 934	-	118 650	37 432
<i>Vehicles</i>									
Motor Vehicles	1 178 760	112 149	(647 781)	643 128	317 007	79 815	(199 837)	196 985	446 143
Trucks	627 230	241 706	(4 998)	863 938	248 660	38 308	(2 348)	284 620	579 318
Trailers	10 890	-	-	10 890	4 412	233	-	4 645	6 245
<i>Furniture And Fittings</i>									
Tables and desks	732 321	-	(25 916)	706 405	499 190	57 375	(22 437)	534 128	172 277
Furniture And Fittings	832 112	-	(58 544)	773 569	575 341	63 653	(51 094)	587 899	185 669
Chairs	473 714	15 781	(70 039)	419 455	258 034	52 258	(58 650)	251 642	167 813
<i>Office Equipment</i>									
Electronic Equipment	285 544	8 590	(44 025)	250 109	198 934	19 794	(38 315)	180 413	69 696
Air Conditioner	356 228	5 640	(8 081)	353 787	271 429	19 161	(3 753)	286 838	66 949
Computer Hardware	1 249 532	92 597	(360 814)	981 315	845 237	152 293	(319 979)	677 551	303 763
Other Office Equipment	194 820	-	(20 020)	174 800	126 064	16 532	(18 562)	124 034	50 766
<i>Plant And Equipment</i>									
Compressor/Generator	47 684	-	-	47 684	35 394	3 130	-	38 525	9 159
	6 144 917	476 464	(1 240 218)	5 381 163	3 486 419	514 486	(714 974)	3 285 931	2 095 232
Total	23 242 718	2 624 382	(3 241 900)	22 625 199	10 201 481	2 225 429	(2 592 111)	9 834 798	12 790 401

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R
Land And Buildings	2 636 700	-	(683 000)	2 636 700	-	-	-	-	2 636 700
	2 636 700	-	-	2 636 700	-	-	-	-	2 636 700

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R
Computer Software	397 692	-	-	397 692	337 420	22 899	-	360 319	37 373
	397 692	-	-	397 692	337 420	22 899	-	360 319	37 373
Total Asset Register	26 277 110	2 624 382	(3 241 900)	25 659 591	10 538 900	2 248 328	(2 592 111)	10 195 117	15 464 474

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Budget And Treasury Office	23 242 718	2 624 382	(3 241 900)	22 625 199	10 201 481	2 225 429	(2 592 111)	9 834 798	12 790 401
Total	23 242 718	2 624 382	(3 241 900)	22 625 199	10 201 481	2 225 429	(2 592 111)	9 834 798	12 790 401

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)
R	R	R		R	R	R
163 715	(6 927 001)	(6 763 286)	Administration	161 016	(7 385 334)	(7 224 318)
20 958 887	(13 343 687)	7 615 200	Finance	18 986 465	(12 862 470)	6 123 995
-	(2 090 118)	(2 090 118)	Development and Infrastructure	-	(2 075 058)	(2 075 058)
-	(1 563 667)	(1 563 667)	Environmental Health	-	(2 131 048)	(2 131 048)
1 000 000	(2 414 108)	(1 414 108)	Housing	1 030 000	(2 987 086)	(1 957 086)
-	(3 489 790)	(3 489 790)	Internal Audit	-	(3 556 354)	(3 556 354)
2 825 000	(7 604 880)	(4 779 880)	Council Expenses	3 282 000	(6 852 745)	(3 570 745)
-	(1 216 499)	(1 216 499)	Municipal Manager	529	(1 533 508)	(1 532 979)
18 971 171	(7 906 771)	11 064 400	I D P	12 849 801	(922 557)	11 927 244
336 061	(2 224 676)	(1 888 615)	Protection Services	314 958	(2 563 081)	(2 248 123)
4 490 000	(1 211 191)	3 278 809	Shared Services	4 714 000	(1 701 982)	3 012 018
48 744 834	(49 992 388)	(1 247 554)	Total	41 338 770	(44 571 221)	(3 232 452)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015

Description	2015										2014				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	3 282 000	1 000	3 283 000	-	-	3 283 000	3 443 545	-	160 545	4.89%	4.92%	-	-	-	2 988 715
Budget and Treasury Office	18 631 000	488 000	19 119 000	-	-	19 119 000	18 986 465	-	(132 535)	(0.69)%	1.91%	-	-	-	20 958 887
Corporate Services	4 714 000	24 000	4 738 000	-	-	4 738 000	4 714 000	-	(24 000)	(0.51)%	0.00%	-	-	-	4 490 000
Community and Public Safety:															
Public Safety	630 000	-	630 000	-	-	630 000	314 958	-	(315 042)	(50.01)%	(50.01)%	-	-	-	336 061
Housing	-	1 030 000	1 030 000	-	-	1 030 000	1 030 000	-	-	0.00%	0.00%	-	-	-	1 000 000
Health	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Economic and Environmental Services:															
Planning and Development	12 569 000	247 000	12 816 000	-	-	12 816 000	12 849 801	-	33 801	0.26%	2.23%	-	-	-	18 971 171
Total Revenue - Standard	39 826 000	1 790 000	41 616 000	-	-	41 616 000	41 338 770	-	(277 230)			-	-	-	48 744 834
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	16 926 000	(833 000)	16 093 000	-	-	16 093 000	15 771 586	-	(321 414)	(2.00)%	(6.82)%	-	-	-	15 748 380
Budget and Treasury Office	12 396 000	3 765 000	16 161 000	-	-	16 161 000	12 862 470	-	(3 298 530)	(20.41)%	3.76%	-	-	-	13 343 687
Corporate Services	5 036 000	317 000	5 353 000	-	-	5 353 000	5 258 336	-	(94 664)	(1.77)%	4.41%	-	-	-	4 700 981
Community and Public Safety:															
Public Safety	2 316 000	363 000	2 679 000	-	-	2 679 000	2 563 081	-	(115 919)	(4.33)%	10.67%	-	-	-	2 224 676
Housing	2 634 000	490 000	3 124 000	-	-	3 124 000	2 987 086	-	(136 914)	(4.38)%	13.40%	-	-	-	2 414 108
Health	1 631 000	619 000	2 250 000	-	-	2 250 000	2 131 048	-	(118 952)	(5.29)%	30.66%	-	-	-	1 563 667
Economic and Environmental Services:															
Planning and Development	4 037 000	(141 000)	3 896 000	-	-	3 896 000	2 997 615	-	(898 385)	(23.06)%	(25.75)%	-	-	-	9 996 889
Total Expenditure - Standard	44 976 000	4 580 000	49 556 000	-	-	49 556 000	44 571 221	-	(4 984 779)			-	-	-	49 992 388
Surplus/(Deficit) for the year	(5 150 000)	(2 790 000)	(7 940 000)	-	-	(7 940 000)	(3 232 452)	-	4 707 548			-	-	-	(1 247 554)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015

Description	2015											2014			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Emergency and Disaster Management	630 000	-	630 000	-	-	630 000	314 958	-	(315 042)	(50.01)%	(50.01)%	-	-	-	336 061
Vote 2 - Support and Social Services	-	24 000	24 000	-	-	24 000	161 016	-	137 016	570.90%	100.00%	-	-	-	163 715
Vote 3 - Budget and Treasury	18 631 000	488 000	19 119 000	-	-	19 119 000	18 986 465	-	(132 535)	(0.69)%	1.91%	-	-	-	20 958 887
Vote 4 - Council Expenses	3 282 000	-	3 282 000	-	-	3 282 000	3 282 000	-	-	-	-	-	-	-	2 825 000
Vote 5 - IDP	12 569 000	247 000	12 816 000	-	-	12 816 000	12 849 801	-	33 801	0.26%	2.23%	-	-	-	18 971 171
Vote 6 - Municipal Manager	-	1 000	1 000	-	-	1 000	529	-	(471)	(47.10)%	100.00%	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 10 - Housing	-	1 030 000	1 030 000	-	-	1 030 000	1 030 000	-	-	0.00%	100.00%	-	-	-	1 000 000
Vote 11 - Shared Service	4 714 000	-	4 714 000	-	-	4 714 000	4 714 000	-	-	0.00%	100.00%	-	-	-	4 490 000
Total Revenue by Vote	39 826 000	1 790 000	41 616 000	-	-	41 616 000	41 338 770	-	(277 230)			-	-	-	48 744 834
EXPENDITURE BY VOTE															
Vote 1 - Emergency and Disaster Management	2 316 000	363 000	2 679 000	-	-	2 679 000	2 563 081	-	(115 919)	(4.33)%	10.67%	-	-	-	2 224 676
Vote 2 - Support and Social Services	8 023 000	(590 000)	7 433 000	-	-	7 433 000	7 385 334	-	(47 666)	(0.64)%	(7.95)%	-	-	-	6 927 001
Vote 3 - Budget and Treasury	12 396 000	3 765 000	16 161 000	-	-	16 161 000	12 862 470	-	(3 298 530)	(20.41)%	3.76%	-	-	-	13 343 687
Vote 4 - Council Expenses	7 010 000	27 000	7 037 000	-	-	7 037 000	6 852 745	-	(184 255)	(2.62)%	(2.24)%	-	-	-	7 604 880
Vote 5 - IDP	1 448 000	326 000	1 774 000	-	-	1 774 000	922 557	-	(851 443)	(48.00)%	(36.29)%	-	-	-	7 906 771
Vote 6 - Municipal Manager	1 893 000	(270 000)	1 623 000	-	-	1 623 000	1 533 508	-	(89 492)	(5.51)%	(18.99)%	-	-	-	1 216 499
Vote 7 - Internal Audit	3 481 000	145 000	3 626 000	-	-	3 626 000	3 556 354	-	(69 646)	(1.92)%	2.16%	-	-	-	3 489 790
Vote 8 - Development ant Infrastructure	2 589 000	(467 000)	2 122 000	-	-	2 122 000	2 075 058	-	(46 942)	(2.21)%	(19.85)%	-	-	-	2 090 118
Vote 9 - Environmental Health	1 630 000	619 000	2 249 000	-	-	2 249 000	2 131 048	-	(117 952)	(5.24)%	30.74%	-	-	-	1 563 667
Vote 10 - Housing	2 634 000	490 000	3 124 000	-	-	3 124 000	2 987 086	-	(136 914)	(4.38)%	13.40%	-	-	-	2 414 108
Vote 11 - Shared Service	1 556 000	172 000	1 728 000	-	-	1 728 000	1 701 982	-	(26 018)	(1.51)%	9.38%	-	-	-	1 211 191
Total Expenditure by Vote	44 976 000	4 580 000	49 556 000	-	-	49 556 000	44 571 221	-	(4 984 779)			-	-	-	49 992 388
Surplus/(Deficit) for the year	(5 150 000)	(2 790 000)	(7 940 000)	-	-	(7 940 000)	(3 232 452)	-	4 707 548			-	-	-	(1 247 554)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(3)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Description	2015											2014			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Government Grants and Subsidies Received	35 816 000	700 000	36 516 000	-	-	36 516 000	37 578 894	-	1 062 894	2.91%	4.92%	-	-	-	42 935 351
Public Contributions and Donations	-	-	-	-	-	-	5 700	-	5 700	100.00%	100.00%	-	-	-	50 000
Rental of Facilities and Equipment	-	24 000	24 000	-	-	24 000	164 944	-	140 944	587.27%	#DIV/0!	-	-	-	157 247
Interest Earned - External Investments	155 000	25 000	180 000	-	-	180 000	355 979	-	175 979	97.77%	129.66%	-	-	-	764 055
Other Revenue	3 855 000	1 040 000	4 895 000	-	-	4 895 000	3 626 399	-	(1 268 601)	(25.92)%	(5.93)%	-	-	-	4 819 247
Total Revenue (excluding Capital Transfers & Contribution)	39 826 000	1 789 000	41 615 000	-	-	41 615 000	41 731 917	-	116 917			-	-	-	48 725 900
Expenditure															
Employee Related Costs	25 754 000	100 000	25 854 000	-	-	25 854 000	25 544 393	-	(309 607)	(1.20)%	(0.81)%	-	-	-	24 664 021
Remuneration of Councillors	3 567 000	(24 000)	3 543 000	-	-	3 543 000	3 542 912	-	(88)	(0.00)%	(0.68)%	-	-	-	3 335 616
Depreciation and Amortisation	2 120 000	129 000	2 249 000	-	-	2 249 000	2 248 479	-	(521)	(0.02)%	6.06%	-	-	-	2 128 379
Impairment Losses	1 010 000	380 000	1 390 000	-	-	1 390 000	868 546	-	(521 454)	(37.51)%	(14.01)%	-	-	-	466 621
Repairs and Maintenance	346 000	86 000	432 000	-	-	432 000	300 616	-	(131 384)	(30.41)%	(13.12)%	-	-	-	399 226
Finance Costs	1 483 000	16 000	1 499 000	-	-	1 499 000	1 248 445	-	(250 555)	(16.71)%	(15.82)%	-	-	-	1 282 866
Contracted Services	1 225 000	(100 000)	1 125 000	-	-	1 125 000	56 930	-	(1 068 070)	(94.94)%	(95.35)%	-	-	-	175 161
Grants and Subsidies Paid	230 000	310 000	540 000	-	-	540 000	1 352 797	-	812 797	150.52%	488.17%	-	-	-	7 635 186
General Expenses	9 563 000	2 867 000	12 430 000	-	-	12 430 000	9 658 660	-	(2 771 340)	(22.30)%	1.00%	-	-	-	10 658 827
Loss on Disposal of Property, Plant and Equipment	-	495 000	495 000	-	-	495 000	814 615	-	319 615	0.00%	0.00%	-	-	-	19 217
Total Expenditure	45 298 000	4 259 000	49 557 000	-	-	49 557 000	45 636 393	-	(3 920 607)			-	-	-	50 765 120
Surplus/(Deficit) for the Year	(5 472 000)	(2 470 000)	(7 942 000)	-	-	(7 942 000)	(3 904 477)	-	4 037 523			-	-	-	(2 039 219)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015

Description	2015											2014			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure															
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-			-	-	-	-
Single-year Expenditure															
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 3 - Budget and Treasury	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517	197.54%	615.25%	-	-	-	1 279 103
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Total Capital Expenditure - Single-year	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517			-	-	-	1 279 103
Total Capital Expenditure - Vote	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517			-	-	-	1 279 103
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Budget and Treasury Office	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517	197.54%	615.25%	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Community and Public Safety:															
Public Safety	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Economic and Environmental Services:															
Planning and Development	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Total Capital Expenditure - Standard	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517			-	-	-	-
FUNDED BY:															
National Government	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-			-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-
Internally Generated Funds	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517	197.54%	615.25%	-	-	-	-
Total Capital Funding	364 000	511 000	875 000	-	-	875 000	2 603 517	-	1 728 517			-	-	-	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(5)

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

Description	2015								2014
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Government - Operating	36 736 000	1 055 000	37 791 000	37 791 000	37 035 792		-	0.82%	41 282 915
Government - Capital	-	-	-	-	636 918	636 918	-	-	-
Interest	155 000	25 000	180 000	180 000	355 979	175 979	97.77%	129.66%	787 093
Other Receipts	3 830 000	(249 000)	3 581 000	3 581 000	4 378 880	797 880	22.28%	14.33%	3 662 211
Payments									
Suppliers and Employees	(40 456 000)	(160 000)	(40 616 000)	(40 616 000)	(42 989 931)	(2 373 931)	5.84%	6.26%	(54 391 245)
Finance Charges	(218 000)	(234 000)	(452 000)	(452 000)	(1 248 445)	(796 445)	176.20%	472.68%	(1 282 866)
Transfers and Grants	(230 000)	(310 000)	(540 000)	(540 000)	-	540 000	(100.00)%	(100.00)%	-
NET CASH FROM / (USED) OPERATING ACTIVITIES	(183 000)	127 000	(56 000)	(56 000)	(1 830 806)	(1 019 598)			(9 941 892)
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	3 000 000	(2 200 000)	800 000	800 000	628 173	(171 827)	(21.48)%	(79.06)%	(1 345 371)
Payments									
Capital Assets	(364 000)	(511 000)	(875 000)	(875 000)	(2 603 517)	(1 728 517)	197.54%	615.25%	-
NET CASH FROM / (USED) INVESTING ACTIVITIES	2 636 000	(2 711 000)	(75 000)	(75 000)	(1 975 344)	(1 900 344)			(1 345 371)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	1 511 000	1 511 000	100.00%	100.00%	359 649
Payments									
Loans repaid	(570 000)	-	(570 000)	(570 000)	(768 223)	(198 223)	34.78%	34.78%	(1 022 291)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(570 000)	-	(570 000)	(570 000)	742 777	1 312 777			(662 641)
NET INCREASE / (DECREASE) IN CASH HELD	1 883 000	(2 584 000)	(701 000)	(701 000)	(3 063 373)	(1 607 165)			11 899 904
Cash / Cash Equivalents at the Year begin:	8 359 000	(4 775 000)	3 584 000	3 584 000	3 583 875	(125)	(0.00)%	(57.13)%	15 483 779
Cash / Cash Equivalents at the Year end:	10 242 000	(7 360 000)	2 882 000	2 882 000	524 802	(2 357 198)	(81.79)%	(94.88)%	3 583 875

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	National Treasury	-	32 052 000	32 052 000	-	N/a	Yes	N/a
Housing Accreditation	COGSTHA	-	1 030 000	1 030 000	-	N/a	Yes	N/a
Health Subsidy	Provincial	-	-	-	-	N/a	Yes	N/a
EPWP	National Treasury	-	1 000 000	998 952	1 048	N/a	Yes	N/a
Financial Management (FMG)	National Treasury	-	1 250 000	1 250 000	-	N/a	Yes	N/a
Municipal Infrastructure (MIG)	National Treasury	-	-	-	-	N/a	Yes	N/a
Municipal Systems Improvement (MSIG)	National Treasury	-	934 000	934 000	-	N/a	Yes	N/a
Department of Roads	Provincial	-	770 181	770 181	-	N/a	Yes	N/a
EPWP Renosterberg	Provincial	18 749	-	18 749	-	N/a	Yes	N/a
Department Sports, Arts and Culture	Provincial	203 482	-	203 482	-	N/a	Yes	N/a
NEAR	Provincial	608 172	629 958	314 958	923 172	N/a	Yes	N/a
Electrification Programme	Provincial	898	-	-	898	N/a	Yes	N/a
Fire Fighting Equipment	Provincial	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		831 301	37 666 139	37 572 322	925 118			

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

	Name of Organ					Reason for	Compliance	Reason for
Grant Expenditure per Vote								
Name of Grant	Administration	Finance	Infrastructure	Housing	Internal Audit	Council	GOP / IDP	Public Safety
	Total	Total	Total	Total	Total	Total	Total	Total
Housing Accreditation	-	-	-	1 030 000	-	-	-	-
Health Subsidy	-	-	-	-	-	-	-	-
EPWP	-	-	-	-	-	-	998 952	-
Financial Management (FMG)	-	1 250 000	-	-	-	-	-	-
Municipal Infrastructure (MIG)	-	-	-	-	-	-	-	-
Municipal Systems Improvement (MSIG)	20 117	-	287 039	34 357	514 113	78 373	-	-
Department of Roads	-	770 181	-	-	-	-	-	-
EPWP Renosterberg	-	-	-	-	-	-	18 749	-
Department Sports, Arts and Culture	-	-	-	-	-	-	203 482	-
NEAR	-	-	-	-	-	-	-	314 958
Electrification Programme	-	-	-	-	-	-	-	-
Fire Fighting Equipment	-	-	-	-	-	-	-	-
Total Grants and Subsidies Received	20 117	2 020 181	287 039	1 064 357	514 113	78 373	1 221 183	314 958

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2015

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
JZ Lolwana	-	718 495	-	12 000	-	-	-	730 495
Speaker								
MT Kibi	-	574 796	-	10 800	-	-	-	585 596
Executive Committee								
UR Itumeleng	-	538 872	-	9 600	-	-	-	548 472
TA Sintu	-	538 872	-	9 600	-	-	-	548 472
KJ Arens	-	69 520	-	28 030	-	-	-	97 550
Councillors								
GL Nkumbi	-	262 212	-	-	-	-	-	262 212
NS Thomas	-	13 719	-	-	-	-	-	13 719
ME Bitterbos	-	13 719	-	-	-	-	-	13 719
WJ du Plessis	-	13 719	-	-	-	-	-	13 719
A Fritz	-	13 719	-	-	-	-	-	13 719
JH George	-	13 719	-	-	-	-	-	13 719
J Grobbelaar	-	215 548	-	-	-	-	-	215 548
DP Jason	-	13 719	-	-	-	-	-	13 719
P Louw	-	13 719	-	-	-	-	-	13 719
EL Schultz	-	215 548	-	-	-	-	-	215 548
PN Signeur	-	215 548	-	-	-	-	-	215 548
LC van Niekerk	-	13 719	-	-	-	-	-	13 719
FM van Wyk	-	13 719	-	-	-	-	-	13 719
Total for Councillors	-	3 472 882	-	70 030	-	-	-	3 542 912
Municipal Manager								
RE Pieterse	-	856 800	71 400	100 481	-	-	156 090	1 184 771
Chief Financial Officer								
BF James	-	772 800	64 400	86 732	-	-	140 970	1 064 902
Manager: Infrastructure								
HP Greeff	-	348 644	-	54 135	-	-	1 089	403 867
Manager: Planner PIMS								
TS Diokpala	-	700 300	54 150	92 616	-	-	118 830	965 896
Manager: Chief Corporate Services								
TA Loko	-	700 800	58 400	98 519	-	-	128 010	985 729
Manager: Office of the Executive Mayor								
MK Mfawze	-	230 984	-	58 800	-	-	65 837	355 621
Communication Manager								
WAE Renene	-	556 873	48 000	97 689	-	-	7 063	709 625
Total for Senior Managers	-	3 310 401	224 950	488 492	-	-	461 799	4 485 642
Total for Management	-	6 783 282	224 950	558 523	-	-	461 799	8 028 553

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
JZ Lolwana	-	677 826	-	12 000	-	-	-	689 826
Speaker								
MT Kibi	-	542 261	-	107 295	-	-	-	649 556
Executive Committee								
UR Itumeleng	-	508 370	-	22 676	-	-	-	531 046
TA Sintu	-	508 370	-	60 271	-	-	-	568 641
KJ Arens	-	265 267	-	53 912	-	-	-	319 179
Councillors								
GL Nkumbi	-	12 943	-	-	-	-	-	12 943
NS Thomas	-	12 943	-	-	-	-	-	12 943
ME Bitterbos	-	12 943	-	-	-	-	-	12 943
WJ du Plessis	-	12 943	-	-	-	-	-	12 943
A Fritz	-	12 943	-	-	-	-	-	12 943
JH George	-	12 943	-	-	-	-	-	12 943
J Grobbelaar	-	203 348	-	-	-	-	-	203 348
DP Jason	-	12 943	-	-	-	-	-	12 943
P Louw	-	12 943	-	-	-	-	-	12 943
EL Schultz	-	203 348	-	-	-	-	-	203 348
PN Signeur	-	203 348	-	-	-	-	-	203 348
LC van Niekerk	-	12 943	-	-	-	-	-	12 943
FM van Wyk	-	12 943	-	-	-	-	-	12 943
Total for Councillors	-	3 241 568	-	256 154	-	-	-	3 497 722
Municipal Manager								
RE Pieterse	-	719 716	50 422	134 820	89 074	96 915	-	1 090 948
Chief Financial Officer								
BF James	-	732 325	62 465	154 834	133 679	-	-	1 083 304
Manager: Infrastructure								
V Jones	-	303 000	50 500	181 338	55 470	-	-	590 308
Manager: Planner PIMS								
TS Diokpala	-	352 590	29 383	90 217	64 552	40 400	-	577 141
Manager: Chief Corporate Services								
TA Loko	-	651 600	108 600	163 163	119 149	16 925	-	1 059 437
Communication Manager								
WAE Renene	-	532 517	44 500	148 657	-	-	1 861	727 535
Total for Senior Managers	-	2 572 032	295 448	738 209	372 850	57 325	1 861	4 037 725
Total for Management	-	5 813 600	295 448	994 363	372 850	57 325	1 861	7 535 447

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2015	2014	
1. FINANCIAL POSITION						
A. Asset Management / Utilisation						
1.	Capital Expenditure to Total Expenditure	10% - 20%		5.40%	2.46%	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets.
			Total Operating Expenditure	45 636 393	50 765 120	
			Taxation Expense	-	-	
			Total Capital Expenditure	2 603 517	1 279 103	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		0.00%	0.00%	
			PPE, Investment Property & Intangible Impairment	-	-	
			PPE at Carrying Value	12 660 785	13 041 236	
			IP at Carrying Value	1 953 700	2 636 700	
			Intangible Assets at Carrying Value	37 374	60 273	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		2.06%	2.55%	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets and the repair / maintenance thereof.
			Total Repairs and Maintenance Expenditure	300 616	399 226	
			PPE at Carrying Value	12 660 785	13 041 236	
			Investment Property at Carrying Value	1 953 700	2 636 700	
B. Debtors Management						
1.	Collection Rate	95%		66.72%	91.07%	A number of the Shared Service Debtors are not able to meet their financial responsibilities due to cash flow problems. These debtors were provided for.
			Gross Debtors Closing Balance	1 641 228	482 936	
			Gross Debtors Opening Balance	482 936	152 594	
			Bad Debts Written-off	-	5 334	
			Billed Revenue	3 480 733	3 757 247	
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%		0.00%	1.16%	
			Consumer Debtors Bad Debts Written-off	-	5 334	
			Consumer Debtors Current Bad Debt Provision	868 546	461 287	
3.	Net Debtors Days	30 Days		81 Days	2 Days	
			Gross Debtors	1 641 228	482 936	
			Bad Debts Provision	868 546	461 287	
			Billed Revenue	3 480 733	3 757 247	
C. Liquidity Management						
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months		0 Months	1 Months	The Municipality ensures that all debt is paid within the 30 day requirement as per the MFMA.
			Cash and Cash Equivalents	524 802	3 583 875	
			Unspent Conditional Grants	925 118	831 302	
			Overdraft	-	-	
			Short-term Investments	-	-	
			Total Annual Operational Expenditure	45 636 393	50 765 120	
2.	Current Ratio	1.5 - 2:1		0.09	0.50	The unfavourable ratio is due to the current portion of the Retirement Benefit Liabilities.
			Current Assets	897 966	5 413 123	
			Current Liabilities	9 707 293	10 738 519	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2015	2014	
C. Liability Management						
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid	1.05%	0.51%	
			Redemption	1 248 445	1 282 866	
			Total Operating Expenditure	(768 223)	(1 022 291)	
			Taxation Expense	45 636 393	50 765 120	
				-	-	
2.	Debt (Total Borrowings) / Revenue	45%	Total Debt	73.85%	48.26%	
			Total Operating Revenue	3 537 404	2 794 627	
			Operational Conditional Grants	41 731 917	48 725 900	
				36 941 976	42 935 351	
C. Sustainability						
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents	100.00%	100.00%	
			Bank Overdraft	524 802	3 583 875	
			Short Term Investment	-	-	
			Long Term Investment	-	-	
			Unspent Grants	-	-	
			Net Assets	925 118	831 302	
			Share Premium	(10 241 848)	(6 337 372)	
			Share Capital	-	-	
			Revaluation Reserve	-	-	
			Fair Value Adjustment Reserve	-	-	
			Accumulated Surplus	(10 241 848)	(6 337 372)	
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1.	Net Operating Surplus Margin	= or > 0%	Total Operating Revenue	-9.36%	-4.19%	The reason for the Net Loss is due to the decrease in Grants and Subsidies Received as well as the depreciation expense which has substantially increased.
			Depreciation - Revalued Portion	41 731 917	48 725 900	
			Total Operating Expenditure	-	-	
			Taxation Expense	45 636 393	50 765 120	
				-	-	
2.	Net Surplus / Deficit Electricity	0% - 15%	Total Electricity Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Electricity Expenditure	-	-	
				-	-	
3.	Net Surplus / Deficit Water	= or > 0%	Total Water Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Water Expenditure	-	-	
				-	-	
4.	Net Surplus / Deficit Refuse	= or > 0%	Total Refuse Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Refuse Expenditure	-	-	
				-	-	
5.	Net Surplus / Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Waste Water Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Sanitation and Waste Water Expenditure	-	-	
				-	-	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2015	2014	
B.	Distribution Losses					
1.	Electricity Distribution Losses (Percentage)	7% - 10%		0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Units Purchased and/or Generated	-	-	
			Number of Units Sold	-	-	
2.	Water Distribution Losses (Percentage)	15% - 30%		0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Kilo litres Purchased and/or Purified	-	-	
			Number of Kilo litres Sold	-	-	
C.	Revenue Management					
1.	Growth in Number of Active Consumer Accounts	None		0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Active Debtors Accounts (Previous)	-	-	
			Number of Active Debtors Accounts (Current)	-	-	
2.	Revenue Growth (%)	= CPI		-14.35%	24.10%	During the 2015 financial year, the Municipality incurred less Grant-related Expenditure resulting in the decrease in Expenditure as well as a decrease in the funds that can be recognised as Grants and Subsidies Received (Revenue). This is due to a number of projects that were completed during the year, which were carried forward from the 2014 financial year.
			CPI	6.60%	5.50%	
			Total Revenue (Previous)	48 725 900	39 262 324	
			Total Revenue (Current)	41 731 917	48 725 900	
3.	Revenue Growth (%) - Excluding Capital Grants	= CPI		-15.66%	24.10%	During the 2015 financial year, the Municipality incurred less Grant-related Expenditure resulting in the decrease in Expenditure as well as a decrease in the funds that can be recognised as Grants and Subsidies Received (Revenue). This is due to a number of projects that were completed during the year, which were carried forward from the 2014 financial year.
			CPI	6.60%	5.50%	
			Total Revenue, excluding Capital Grants (Previous)	48 725 900	39 262 324	
			Total Revenue, excluding Capital Grants (Current)	41 094 998	48 725 900	
D.	Expenditure Management					
1.	Creditors Payment Period (Trade Creditors)	30 Days		10 Days	37 Days	
			Trade Creditors	283 342	1 129 579	
			Contracted Services	56 930	175 161	
			Repairs and Maintenance	300 616	399 226	
			General Expenses	9 658 660	10 658 827	
			Bulk Purchases	-	-	
			Capital Credit Purchases	-	-	
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		0.00%	49.35%	
			Irregular, Fruitless & Wasteful and Unauthorised Expenditure	-	25 050 385	
			Total Operating Expenditure	45 636 393	50 765 120	
			Taxation Expense	-	-	
3.	Remuneration as % of Total Operating Expenditure	25% - 40%		63.74%	55.16%	As the Municipality is a District Municipality, the Employee Related Costs represent the majority of its Operating Expenditure due to the nature of service provided.
			Employee / Personnel Related Cost	25 544 393	24 664 021	
			Councillors Remuneration	3 542 912	3 335 616	
			Total Operating Expenditure	45 636 393	50 765 120	
4.	Contracted Services % of Total	2% - 5%		0.12%	0.35%	
			Contracted Services	56 930	175 161	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2015	2014	
4.	Operating Expenditure	2.70 - 3.70	Total Operating Expenditure	45 636 393	50 765 120	
			Taxation Expense	-	-	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2015	2014	
E.	Grant Dependency					
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None		100.00%	100.00%	The Municipality -acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases,
			Internally Generated Funds	957 991	1 013 494	
			Borrowings	1 645 526	331 877	
			Total Capital Expenditure	2 603 517	1 345 371	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		36.80%	75.33%	Due to the maetrial decrease in the Municipality's cash reserves, it had to finance its capital needs through the use of finance leases.
			Internally Generated Funds	957 991	1 013 494	
			Total Capital Expenditure	2 603 517	1 345 371	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		10.09%	11.78%	Remained consistent with that of the previous financial year.
			Total Revenue	41 731 917	48 725 900	
			Government Grant and Subsidies	37 578 894	42 935 351	
			Public Contributions and Donations	5 700	50 000	
			Capital Grants	636 918	-	
3.	BUDGET IMPLEMENTATION					
A.	Efficiency					
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%		297.54%	95.10%	The Municipality acquired Property, Plant and Equipment at a value of R1 511 000 through finance leases. Due to the maetrial decrease in the Municipality's cash reserves, it had to finance its capital needs through the use of finance leases.
			Actual Capital Expenditure	2 603 517	1 279 103	
			Budgeted Capital Expenditure	875 000	1 345 000	
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%		92.09%	101.74%	The Municipality implemented cost cutting procedures, which resulted in funds being saved.
			Actual Operating Expenditure	45 636 393	50 765 120	
			Budgeted Operating Expenditure	49 557 000	49 898 176	
3.	Operating Revenue Budget Implementation Indicator	95% - 100%		100.28%	98.27%	
			Actual Operating Revenue	41 731 917	48 725 900	
			Budgeted Operating Revenue	41 615 000	49 582 107	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		100.00%	100.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Actual Service Charges and Property Rates Revenue	0	0	
			Budgeted Service Charges and Property Rates Revenue	0	0	
Interpretation of Results:						
	The green colour indicates that the result is within the norm and is acceptable.					
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.					
	Data should be captured in the blue coloured cell to calculate a ratio.					
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.					